



Revenue Budget Monitor 2018/2019 - September 2018

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General Fund

Portfolio Summary

Portfolio	Original Budget			Virement £'000	Latest Budget			Initial Outturn £'000	Proposed Management Action £'000	Expected Outturn £'000	Forecast Variance £'000	Movement from Period 5
	Gross Expend £'000	Gross Income £'000	Net £'000		Gross Expend £'000	Gross Income £'000	Net £'000					
Leader	13,384	(2,448)	10,936	454	13,769	(2,379)	11,390	11,260	0	11,260	(130)	↓
Growth	8,880	(5,799)	3,081	(122)	9,856	(6,897)	2,959	2,806	0	2,806	(153)	↓
Adult and Housing	69,994	(27,117)	42,877	(1,482)	68,798	(27,403)	41,395	43,240	(1,775)	41,465	70	↑
Children and Learning	108,037	(74,481)	33,556	3,061	111,035	(74,418)	36,617	38,393	(1,151)	37,242	625	↓
Healthy Communities and Wellbeing	119,551	(105,915)	13,636	638	102,378	(88,104)	14,274	14,567	(15)	14,552	278	↓
Infrastructure	28,408	(14,235)	14,173	558	28,966	(14,235)	14,731	17,039	(200)	16,839	2,108	↑
Public Protection	17,515	(3,733)	13,782	229	17,744	(3,733)	14,011	13,410	(89)	13,321	(690)	↑
Portfolio Net Expenditure	365,769	(233,728)	132,041	3,336	352,546	(217,169)	135,377	140,715	(3,230)	137,485	2,108	↑
Reversal of Depreciation	(39,074)	10,793	(28,281)	0	(39,074)	10,793	(28,281)	(28,281)	0	(28,281)	0	↔
Levies	638	0	638	0	638	0	638	638	0	638	0	↔
Financing Costs	8,542	0	8,542	(308)	8,234	0	8,234	7,725	0	7,725	(509)	↓
Contingency	5,716	0	5,716	(1,598)	4,118	0	4,118	4,118	0	4,118	0	↔
Pensions Upfront Funding	(3,734)	0	(3,734)	0	(3,734)	0	(3,734)	(3,734)	0	(3,734)	0	↔
Non Portfolio Net Expenditure	(27,912)	10,793	(17,119)	(1,906)	(29,818)	10,793	(19,025)	(19,534)	0	(19,534)	(509)	↓
Net Operating Expenditure	337,857	(222,935)	114,922	1,430	322,728	(206,376)	116,352	121,181	(3,230)	117,951	1,599	↓
General grants	0	(2,380)	(2,380)	0	0	(2,380)	(2,380)	(2,380)	0	(2,380)	0	↔
Revenue Contribution to Capital	5,058	0	5,058	(2,475)	2,583	0	2,583	2,583	0	2,583	0	↔
Contribution to / (from) Earmarked Reserves	5,436	0	5,436	1,045	6,481	0	6,481	6,481	(306)	6,175	(306)	↑
Contribution to / (from) General Reserves	0	0	0	0	0	0	0	(4,829)	4,829	0	0	↔
Net Expenditure / (Income)	348,351	(225,315)	123,036	0	331,792	(208,756)	123,036	123,036	1,293	124,329	1,293	↓

Overall Budget Performance

This report outlines the budget monitoring position for the General Fund and Housing Revenue Account for 2018/2019, based on the views of the Directors and their Management Teams, in light of expenditure and income to 30 September 2018.

The starting point for the budget monitoring is the original budget as agreed by Council in February 2018.

The forecast overall position as at the end of September is a net overspend of £1,293,000 (1.1% of net expenditure) compared to £1,679,000 at the end of August.

The resultant position arises from a net overspend of £4,829,000 (a projected portfolio overspend of £5,338,000 being partly offset by a £509,000 underspend on non-portfolio services). In the absence of any management action to bring the budget back into line, this sum would fall to be met from the General Reserves. That would reduce General Reserves below the optimal level set by the Council's Section 151 Officer in his adequacy of balances statement to the Council in setting the 2018/2019 budget. The cause of the overspend lies entirely within portfolios, with the most significant budget issues being within Adult & Housing, Children & Learning and Infrastructure.

However, Directors are proposing some management actions, totalling £3,230,000, which reduces the overspend of portfolio services to £2,108,000. In line with previous custom and practice, unless further management action and savings are identified to rebalance the budget, it is assumed that the residual overspend will be drawn down from earmarked reserves rather than impacting on the General Reserve.

There is also a proposal to utilise planned earmarked reserves totalling (£306,000), which alongside the (£509,000) non portfolio service underspend, results in the net overspend of £1,293,000

This represents an improved position compared to August 2018.

Portfolio	Latest Budget 2018/19 £000	Projected Outturn 2018/19 £000	September Forecast Variance £000	August Forecast Variance £000	Trend
Leader	11,390	11,260	(130)	(110)	↓
Growth	2,959	2,806	(153)	(126)	↓
Adult and Housing	41,395	41,465	70	61	↑
Children and Learning	36,617	37,242	625	634	↓
Healthy Communities and Wellbeing	14,274	14,552	278	286	↓
Infrastructure	14,731	16,839	2,108	1,993	↑
Public Protection	14,011	13,321	(690)	(779)	↑
Total Portfolio	135,377	137,485	2,108	1,959	↑
Non-Service Areas	(18,822)	(19,331)	(509)	(280)	↓
Earmarked Reserves	6,481	6,175	(306)	0	↓
Net Expenditure / (Income)	123,036	124,329	1,293	1,679	↓

Performance against Budget Savings Targets

As part of setting the Council budget for 2018/2019, a schedule of Portfolio and Corporate savings was approved totalling £7.594 million. These are required to achieve a balanced budget.

A monthly exercise is in place to monitor the progress of the delivery of these savings. A breakdown, by RAG status, of the Portfolio Savings is shown below:

	a	b	c	b+c	d	e	a-(b+c+e)
	Target	Green	Amber	Expected	Red -	Saving	a-(b+c+e)
	Saving	£000	£000	Delivery of	Estimated not	mitigated	Residual
	£000	£000	£000	Savings	Deliverable	in year	Under /
				£000	£000	£000	(Over)
							Delivery
							£000
Leader	80	0	0	0	80	80	0
Growth	509	509	0	509	0	0	0
Adults and Housing	2,325	550	1,775	2,325	0	0	0
Children and Learning	840	99	741	840	0	0	0
Healthy Communities and Wellbeing	504	355	0	355	149	149	0
Infrastructure	1,006	206	800	1,006	0	0	0
Public Protection	30	12	0	12	18	18	0
	5,294	1,731	3,316	5,047	247	247	0
Non-Portfolio	2,300	2,300	0	2,300	0	0	0
	7,594	4,031	3,316	7,347	247	247	0

The current forecast is showing £247,000 of savings as being undeliverable in year. These savings are

£000			
Leader			
PL18	80	Print Contract Savings	Saving not deliverable due to on-going management fee funding requirements with new provider
Public Health			
PH1	54	Sexual Health	These contracts are being retendered in year, with no expected savings accruing in year, although it is anticipated that the full saving will be achieved for 2019/20. Funding has been drawn down from the Public Health reserve to meet the 2018/19 shortfall
PH2	95	0 - 5 Children's Public Health Service	
Public Protection			
PL9	15	Trade Licence to use Public Highway	Charging arrangements not in place for 2018/19; will be delivered in 2019/20
PL11	3	Food Hygiene Rating Scheme Re-assessment	
247			

Against these undeliverable savings, in year mitigations of £247,000 have been identified against the required savings total of £7.594 million.

Portfolio Performance – Leader

Current Budget	Initial Outturn	Management Actions	Expected Outturn	Forecast Variance
£000	£000	£000	£000	£000
11,390	11,260	0	11,260	(130)

There is currently a forecast underspend of (£130,000) in the Leader's Portfolio which equates to 1.1% of the £11.390M net budget allocation. The key variances are underspends against the Corporate Initiatives and Internal Audit budgets.

Services within the Leader's Portfolio tend to be dominated by staffing costs which are generally stable in nature. There are currently a number of restructures in progress which will result in service redesign and the transfer of some duties to other Departments and Portfolios across the Council. A number of vacancies in the internal audit team will result in a staffing underspend of (£50,000). Due to the proximity of Southend to London, it can be difficult to recruit to some positions making it necessary for the Council to pay at the higher scale points in order to recruit to the posts. During this financial year, a number of roles have been subject to Job Evaluation which has resulted in higher salaries being awarded with more staff joining the pension scheme creating additional pressure. Time limited Transformation Funding has been invested to fund various projects across the Portfolio with a view to improving business processes, adding long term value and supporting the vision for Southend 2050.

The residual saving for the Print Contract (PL19) totalling £80,000 is reflected within "Infrastructure" savings. At budget setting it was removed from the Corporate Core budget although the expenditure is ongoing. It is unlikely that the saving can be met although it is expected to be mitigated by other corporate underspends for this year.

A Treasury Management in-year saving of (£25,000) is forecast resulting from lower short-term borrowing and Money Market Fund brokerage fees. In previous years, the Corporate Initiatives budget has not been fully utilised and based on the profile of spend to date, it seems likely that this will be the case at the end of the current year; meaning that an underspend of (£50,000) has been forecast.

The budget for the post of Director of Legal & Democratic Services will not be fully utilised due to vacant hours. This is expected to result in a further (£25,000) underspend at year-end.

The methodology for allocating Merchant Fees relating to Card Payments has changed and is creating a potential £20,000 pressure in the Accounts Receivable team. This is being compounded by the removal of credit card surcharge payments which were previously charged to customers when settling their bills.

Court Costs and Barristers Fees relating to Child Protection have escalated in recent years with 32 active cases in Southend at the beginning of September. As yet a Children's Solicitor has not been appointed so it is not possible to ascertain whether the investment made in the 2017/18 budget can alleviate the additional pressure from Barrister Fees. The staffing underspend in the team is currently partly offsetting these additional fees but in no way

mitigating them. This resulted in £170,000 being transferred from Contingency to offset the pressure.

Portfolio Performance – Growth

Current Budget	Initial Outturn	Management Actions	Expected Outturn	Forecast Variance
£000	£000	£000	£000	£000
2,959	2,806	0	2,806	(153)

The forecast underspend of (£153,000) in the Growth Portfolio is 5.2% of the £2.959M net budget allocation.

Asset and Facilities Management

Over recent years, the Council has adopted a commercial strategy to property investments which is yielding additional income. The acquisition of retail units at Fossets Farm and rent increases on existing leases mean that an underspend of (£260,000) has been forecast at year-end.

The cost of the cleaning and security contract for the Civic Centre continues to exceed the budget. A saving of £75,000 was agreed in 2017/18 but this hasn't materialised and the current pressure is now £120,000. Attempts have been made to reduce the service without a noticeable impact but this hasn't been possible.

A wide range of responsive repairs and maintenance tasks have been completed in the Civic Centre this year, ranging from boiler repairs and emergency lighting servicing, to door security systems and electrical testing. The number of works which have taken place means that the budget provision is expected to be exceeded by £40,000.

Due to the conversions of schools to academies, a number of trusts have opted out of the schools property service run by the property and regeneration team and utilising their own contractors to deliver works. This is resulting in an income shortfall of £20,000. A number of staff in the property team are employed on the basis of delivering elements of the capital programme. However, due to slippage in the programme there are not as many hours spent on these projects as expected.

Economic Development and Regeneration

In December 2017, the 60 Minute Mentor Programme, funded by The Careers & Enterprise Company was extended in Southend due to its success. As a result, additional funding was received in 2017/18 and the balance of this was transferred to reserves in line with accounting practice in order to fund the expenditure incurred in 2018/19. The request to transfer this funding back to the Economic Development service is made at the end of this report.

Planning

Applications have been made for 4 significant development projects this year and as a result the income received in the Development Control team has been greater than expected. The current forecast is that an additional (£130,000) will have been received by the end of the financial year. In order to cope with the increased demand of these projects, some agency staff support is in place, and staffing supplements have been agreed to retain talented employees. This is expected to resulting in additional staffing costs of £63,000

Portfolio Performance – Adults and Housing

Current Budget	Initial Outturn	Management Actions	Expected Outturn	Forecast Variance
£000	£000	£000	£000	£000
41,395	43,240	(1,775)	41,465	70

The Adults and Housing Portfolio are forecasting a year end overspend variance of £70,000 as at the end of period 6, and this is less than 1% of the current net budget allocation of £41.395M. This forecast is assuming the delivery of all the £1.775M management actions.

The (£1.775M) management actions reflect the outstanding 2018/19 budget savings, which are currently being reported amber because they are yet to be delivered or are at risk of not being delivered. It must be noted that this forecast is being closely monitored because of the volatility of Adult Social Care budgets.

Adult Social Care

Adult Services are reporting a break even position on all external purchasing budgets, which is currently based on last year's commitment plus the 18/19 rate increase, assuming that planned savings will be delivered. The forecast has been based on last year's commitment because of the recent system change from Carefirst to Liquid Logic and Controcc, where the implementation project are finalising the opening financial forecasting commitment reports. There is therefore a degree of risk to the accuracy of these projections at this time.

The £70,000 pressure is on Social Work teams budgeted vacancy factor, which assumes a certain level of staffing turnover. At present it appears this will not be achieved because agency staff are being used to cover vacancies and manage current workloads.

Housing and Homelessness

General fund housing is forecasting a breakeven position at the end of period 6. Homelessness continues to be an issue in Southend and the hostels have been at full capacity, with some families placed in B&B accommodation.

Southend's bid for the Rough Sleeper Initiative Grant was successful and there is now a further £425,000 available in 2018/19. The service is now working on finalising the service level agreements with the partners to deliver the intended outcomes, which will focus on prevention and intervention. We also have £195,000 Flexible Homelessness Support Grant and £91,000 New Burdens Grant (Homelessness Reduction Act). Since the introduction of the Homelessness Reduction Act in April, we have seen a 51% increase in active homeless cases compared to same period last year. These grants are helping meet the existing demands and pressures, as well as investment in a drive towards further homelessness prevention.

Portfolio Performance – Children and Learning

Current Budget	Initial Outturn	Management Actions	Expected Outturn	Forecast Variance
£000	£000	£000	£000	£000
36,617	38,393	(1,151)	37,243	625

The Portfolio of Children and Learning are currently anticipating a final year end forecast overspend variance of £625,000 or equivalent 1.7% compared to the latest net budget allocation of £36.651M, and this is after the expectation that all current in year management actions of (£1.151m) to reduce the initial outturn forecasts are delivered.

The management actions of (£1.151m) therefore reflect any outstanding amber budgeted 2018/19 saving allocations targets which are either yet to be delivered or at risk of non-delivery, and these are identified as (£741,000) for this portfolio, alongside a further outstanding (£300,000) targeted savings against the Dedicated Schools Grant High Needs block, and a further targeted (£110,000) troubled families' payment by results income.

The final forecast overspend variance, after assuming the delivery of all management actions is £625,000, and is entirely attributable to financial pressures within Children Social Care. It must be noted, financial pressures within Children Social Care is now recognised as a national local authority issue as well as our own local authority position.

Children's Social Care

As previously reported and recognised, our local financial pressure, is due to both an increased demand for children's social care has which emerged since the middle of 2016/17, alongside an OFSTED inspection in July 2016 that has resulted in Children Social Care itself being under a transformational journey for the last 2 years.

To further explain, whilst additional social work capacity, training and development has been required to support child in need (an attributable budget pressure of £145,000 in totality). Southend has also experienced an increase in the numbers of children who have been taken into care including the complexity of the needs for some of those children.

Southend's current locally employed foster carers are also at maximum capacity. This combined with a private external care market that has reduced capacity regionally, has seen children social care experience higher average costs in external care placements since 2016/17, and this is practically apparent in the external residential care market (an attributable budget pressure of £290,000).

It also needs to be noted that once a child turns 16, they are transitioned over to the leaving care team, who will then fully support the costs of a child from 16 to 18 if they are in supported accommodation type placement. Therefore due to the increase in the numbers of looked after children and a private market that has reduced capacity, this has added to increased cost pressures (an attributable budget pressure of £190,000).

The directorate continues to look towards reducing these financial pressures on a longer term basis, but given the current known forecast, this is now very unlikely to be able to reduce this year's final total overspend position of £625,000.

It also needs to be noted, that in accordance with agreed budgeted savings for 2018/19, children Social care, are also still anticipating the full deliver of current outstanding budgeted savings of (£465,000), although these savings are either yet to be achieved or currently at risk of delivery in full.

Whilst in year financial pressures are now present, it must be recognised that the local authority both recognised and planned for this financial risk, and agreed the creation of the Children Social Care reserve at start of 2017/18. Whilst, any use of funding from a reserve is one off, its implementation can be used to aid financial pressures within in financial years and or cover unexpected events. The level and appropriateness of use for this reserve is considered annually as part of the Council's annual budget planning strategy.

Youth and Family Support

Youth and Family Support, is forecasting a final net expenditure position on-line to budget, but this is dependent upon the anticipated full delivery of (£210,000) management actions. The management action is entirely attributable to targeted additional troubled families' payment by results income levels compared to last financial year. (£100,000) relates to the additional 2018/19 budgeted targeted income, and a further (£110,000) covering the reduction in the fixed amounts of troubled families grants for both the attachment fees and service transformation grant, which are all distributed from the MHCLG.

Education and Schools

Education and Schools is forecasting a final net expenditure position on-line to budget, but this is also dependent upon the anticipated full delivery of (£476,000) management actions to reduce current spend forecasts.

(£300,000) of the management actions, is set against the High Needs budget which is funded through the Dedicated School Grants. If the (£300,000) is not achieved, this deficit will fall due to Dedicated Schools Grant reserve.

From the autumn term of 2016/17, the High Needs budget which is funded through the dedicated schools grant (DSG) has experienced considerable increase in costs associated to special school placements and funding awarded to mainstream schools. Independent provider placements have also increased where the high need budget is required to fund the education element of any looked after child placement.

There is significant demand on high needs budgets, and this is again both a local and national issue. Southend has also experienced an increase in the complexity of children cases, requiring an Educational, health and care plan and therefore this had pushed up the associated cost associated with those placements. This was particularly apparent within our local special schools and independent provider placements.

In response to the high need funding pressures and as presented and agreed through the Education Board, the High Needs dedicated schools grant budget has been constrained for the last two financial years and savings delivered to mitigate further spend pressures.

Further in year savings, are targeted from 2018/19 of £300,000 compared to 2017/18 spend levels, but will remain a challenge to deliver. If this was achieved, it would also allow a targeted pay back of £0.200mil to depleted DSG reserves.

Under the national funding formulae, Southend is also recognised as significantly underfunded on its high need block allocation and will therefore be receiving additional much needed funding towards its high needs block in 2019/20. However, as funding caps are applied on any gains from DSG funding distributions, it is currently unknown from what financial year Southend will receive its expected full funding allocation.

The remaining (£176,000) of required management actions, falls within the Council's Learning department. This is in line with the budgeted saving targets for 2018/19, which are therefore either outstanding or subject to risk of full delivery.

Maintained Schools Delegated

Forecast on line to budget. This reflects revenue funding that the department for education passports through to the local authority to support our maintained schools, and the enhanced pupil premium funding attached to our local looked after children.

Portfolio Performance – Healthy Communities and Wellbeing

Current Budget	Initial Outturn	Management Actions	Expected Outturn	Forecast Variance
£000	£000	£000	£000	£000
14,274	14,567	(15)	14,552	278

The forecast overspend of £278,000 in the Healthy Communities and Wellbeing Portfolio is 1.9% of the £14.274M net budget allocation.

Culture

The final costs relating to the Cultural Destinations project which was delivered by the Focal Point Gallery have been incurred in the 2018/19 financial year and primarily relate to the publication of the Radical Essex book. The grant to fund this publication was transferred to reserves at the end of 2017/18 and a request is made at the end of this report to transfer this funding back from reserves to fund these costs totalling £40,000.

The delivery partner of Twenty One have terminated their agreement with us and as a result, the venue is now only open for any events which were arranged prior to its closure. These events continue up until the end of October and most of them do not pay a hire charge for the venue. At this moment there is no agreed course of action for the future of the venue and therefore we remain liable for the Business Rates and running costs of the site resulting in an overspend of £18,000.

The costs incurred by the Focal Point Gallery in producing the Radical Essex publication which concludes the Cultural Destinations project have been incurred in 2018/19 rather than last year as originally anticipated. The balance of the grant funding was transferred to reserves and a request is now being made to release this ring-fenced grant funding.

The entire Grounds Maintenance service was brought in-house in January 2016 and after a period of time, the service have been able to understand their staffing requirements and the savings attached to this move have been delivered. One of the biggest challenges this year has been income generation. The service lost a number of contracts in 2017 which it has struggled to replace but the cost base has not been reduced to compensate for this. The current shortfall in income is forecast at £120,000.

The income received from outdoor sports teams and the Belfairs Golf Course has reduced considerably over the last 5 years. After a review to understand where this has taken place and the sports mostly affected by this, it is believed that the increase in budget gyms and the uptake of cycling has had an impact on organised team sports which subsequently has reduced the income this generates within our parks by £210,000.

The mobile library has been off of the road for over two months due to maintenance problems. Alternative service provision has been put in place and this revised service is reaching more people who have limited mobility themselves. We are using standard vehicles rather than a bespoke mobile library which is also proving cost effective. Any such proven savings can be built into the permanent budget for 2019/20.

Customer Services

During the period April to September, the Registrations team have recorded 10% fewer births (from 1,918 in 2017/18 to 1,725 in 2018/19) and 10% higher deaths (from 1,285 to 1,416). Notice of Marriages are 14% higher than the same period last year (from 587 to 671) but this trend is not reflected in the number of Weddings which are 19% lower than last year (from 355 to 288). Team leaders believe that more could be done to promote and market weddings in Council venues and that the organisation could capitalise on the interest shown by members of the public to get married at some of the more niche venues in the Borough (e.g. the pier, Southchurch Hall, Porters) if they were to be more widely available.

The Group Manager of the Customer Service team is leading the “Channel Shift” Project meaning that part of her salary costs can be capitalised. This, along with other staff vacancies, have resulted in an underspend of (£40,000) being forecast in the Customer Service team.

Revenues and Benefits

Council Tax collections are on target at 52.5% with Business Rates (NDR) collections being 54.5% against a target of 55%. NDR collections of arrears are significantly higher than budget partly due to settlement by Southend Borough Council of its share of the 2013 and 2014 charge for the Forum building. The collection of Council Tax Arrears is 0.9% below target at 23.4% however this situation is improving month on month, with the team hoping to meet the target at the end of the year. The collection of Council Tax from those in receipt of Council Tax Reduction (CTR) discounts remains strong and compares favourably to other areas in Essex, where collection rates are lower. Council Tax Baseline continues to increase with 450 properties more than when the base was set. This is in contrast to the NDR retained yield which continues to reduce despite the number of properties increasing.

Income from Court Costs is currently higher than anticipated when the budget was set and an underspend of (£50,000) is expected.

At the end of September there were 2,100 people receiving Housing Benefit or Council Tax Reduction (CTR) with Universal Credit (UC) as their income. 64 Housing Benefit claims were closed in September and migrated to UC (total since going live in July 2017 is 1,410) and the rate of Housing Benefit claims closure is slowing each month since the peak of 187 in November. The level of work outstanding is 5 days for both new claims and changes; with the error level remaining at 2% (from 4% at this stage in 2017-18). The introduction of Universal Credit means that the thresholds have reduced in line with the reduction in Subsidy.

As the volume of the Council's future Housing Benefit responsibilities is unknown, the core team is supplemented with outsourced services which, although more costly, will avoid possible future redundancy costs. The overspend on these contractors is offset by vacancies and additional transitional income awarded by the Department for Work and Pensions (DWP) resulting in a (£50,000) forecast underspend for the year.

Public Health

Public health is forecasting an online position as at the end of period 6. As with all activity driven services, it is challenging to predict an accurate outturn on some of the services like Smoking cessation and NHS Health Checks. However, based on current forecasts, Public health will be online. It should be noted that the Council are going out to tender the Sexual Health contract, and the 0-5 contract is currently under review.

Voluntary and Community Services

The Community Hub service which offers financial advice and support to has been commissioned for three years and will be delivered via the South Essex Community Hub. This is funded through a voluntary grant from the Council. Under the terms of the property lease, the Council remains liable for accommodation costs so the grant is reduced accordingly. There is a £15,000 pressure due to backdated rent which was not accounted for at the end of last year.

Portfolio Performance – Infrastructure

Current Budget	Initial Outturn	Management Actions	Expected Outturn	Forecast Variance
£000	£000	£000	£000	£000
14,731	17,039	(200)	16,839	2,108

The forecast overspend of £2.108M in the Infrastructure Portfolio is 14.3% of the £14.731M net budget allocation. The key variances are £733,000 within the highways maintenance budget, £418,000 for decriminalised parking, £497,000 relating to car parking and a £263,000 shortfall in streetworks regulation & compliance income.

Transport

As a result of the poor weather conditions in late February / early March labelled as the “Beast from the East”, the condition of the road network deteriorated and as a result there was a large increase in the number of defects on the highways and footways. An increase in the number of Highway Inspectors has also resulted in a greater area being inspected more frequently which is also identifying more defects than usual. The launch of MySouthend is giving residents the opportunity to report defects and these are focussing the Inspectors on verifying MySouthend calls which will ultimately result in more works to the Highway. All of these factors are resulting in a pressure of approximately £400,000 although over a period of time we will be able to understand better if this is a current spike in identification of defects, or the new norm under an enhanced inspection regime. There is a management action in place to review the categorisation of defects raised by Highways Inspectors to ensure that the correct timeframe is applied to the urgency of repairs.

There have been a number of incidents across the Borough which has resulted in damage to street furniture. Unfortunately due to a lack of evidence to identify the culprit the cost to rectify this damage has been met by the service area. With regards to street lighting, this is expected to result in an additional £100,000 of repairs and maintenance expenditure which with more information as to how the incident occurred, could have been recharged to the offender.

Income from rechargeable works has historically been low and based on current income a shortfall of £120,000 is likely. However the service area are engaging with an external insurance specialist on a payment by results trial basis in an attempt to pursue claims for damage to the Highway.

In order to deliver a number of projects within the Traffic Management team, a project manager has been employed on a fixed term contract until March 2019 for which there is no budget provision. This, alongside a reduction in the amount of staff time being spent on schemes within the capital programme and therefore being transferred from revenue to capital, is resulting in a forecast pressure of £115,000.

There has been on average a 14% increase in the number of PCN's issued against the same time period last year and a £69,000 increase in the income collected for those tickets as at the end of September. However there is still an anticipated shortfall in the income budget of £190,000. Although the value of old debt is reducing year on year, the anticipated bad debt provision is still £115,000 more than the budget provision. The number of PCN's

registered with the Traffic Enforcement Centre has also increased in 2018/19 in an attempt to collect old, outstanding debts. Although there is a cost associated with this registration, estimated at £58,000 for this financial year, it allows further opportunities for the debt to be collected. The implementation of a CCTV vehicle is expected to result in an increase in the number of PCN's issued, however there are start-up costs associated with this in year one.

The rollout from the parking and enforcement contract had a number of improvements and efficiencies over a number of years and savings were agreed in the budget to reflect these. Unfortunately, due to delays in the ICT infrastructure from third parties some of these efficiencies are yet to be implemented. This is resulting in an overspend of £55,000 in decriminalised parking and £53,000 in car parking.

As part of the 2018/19 budget, an increase of £700,000 in the income budget for car parking was agreed after independent advice from Steer Davies Gleave (SDG) which modelled the impact of removing the 1, 3 and 5 hour parking rates in a number of car parks. As at period 6, car parking income has increased significant, especially in June and July when we enjoyed a very dry spell and a heatwave. Within that, there has been an 11% shift in usage from on street car parks to off street surface car parks. From an analysis of 7 town centre car parks which have retained the same machines over this period, projections suggest that the off street car parks will perform even better than SDG suggested. However, due to the shift from on street to off street (where VAT is payable) the additional income from the removal of 1, 3 and 5 hour parking charges is currently being negated by the loss in on street parking income (where no VAT is payable). The total effect of this is an anticipated shortfall in income of £250,000. Of these 7 off street car parks, there has been a reduction in the number of transactions in all of them with the exception of Tylers / York Road, which is the only town centre car park which retained a 1 hour price band. Security at the University Square car park has been increased to 24 hours which increases the pressure on this budget to £120,000 and an additional £60,000 has been spent on upgrades to the pay & display machines within the borough.

The management system used to log and inspect streetwork permits had a number of changes made to it towards the end of the last financial year. These changes resulted in works which overran the length of their permits not being correctly categorised, and therefore the financial penalties which have been levied were not correct which is currently resulting in an income shortfall of £250,000. Work is currently underway to revisit these cases to charge the correct amount, but in the meantime, the system has been corrected and works are now being charged for correctly.

As a partner in the TRACE project (Walking and Cycling Tracking Services) funded by the EU, we were provided with grant funding at the beginning of the project to fund the expenditure incurred. This project has now ended and the balance of the funding has been paid back, this is due to less staff resources being needed than expected. This funding is currently in reserves and therefore a request is made to draw this funding to the service area to fund this payment.

Portfolio Performance – Public Protection

Current Budget	Initial Outturn	Management Actions	Expected Outturn	Forecast Variance
£000	£000	£000	£000	£000
14,011	13,410	(89)	13,321	(690)

The forecast underspend of (£690,000) in the Public Protection Portfolio is 4.9% of the £14.011M net budget allocation.

Cemeteries and Crematorium

Burials are higher in the first six months of the year at 242 compared to last year at 235. This is mirrored in Cremations (1,299 in the current year compared to 1,172 at the same time last year). Income of £1,258,000 achieved at Period 6 is over £129,000 higher than for the same period last year meaning that an underspend of (£80,000) has been forecast at year-end. This includes an anticipated £20,000 pressure due to the hospital processing more Public Health Act funerals. As at Period 6, only 4 of the 246 Mini Graves have been sold.

Flooding

There are a number of engineering vacancies within the Flood Defences section which are yet to be filled. Recruitment is ongoing, but until the posts are filled there will be an underspend on staffing costs within this team. No additional consultancy or contractor costs have been incurred during this time, and due to a lack of engineers, the expected contractor costs have reduced significantly due to no works being identified and this is resulting in a forecast underspend of (£210,000).

Regulatory Services

An element of licensing income relating to this year was received in 2017/18 when the license was renewed. In order to account for this correctly, the 2018/19 element of this income was transferred to reserves. A request is now being made to draw down this £203,000 down from reserves and into the service area. Due to internal promotions there is currently a vacancy within the team which will result in a staffing underspend of approximately (£50,000)

Income generated through the Building Control Trading Account is significantly less than in previous years. Currently the levels of income received are at their lowest levels since 2012/13. It is felt that this is due to increased levels of competition from private businesses, and the level of service provided by the contact centre who deal with a range of queries rather than specialising in Building Control.

Waste and Street Scene

Due to the Mechanical Biological Treatment plant (MBT) in Basildon continuing to fail to meet the performance requirements of the original specification, the reduced gate fee during the commissioning phase is still in place. This is allowing SBC to dispose of residual waste at a lower rate than the original business case. However, due to poor performance at the facility, the average cost per tonne for disposal this year has increased to £122, whereas the cost of landfill is £102. This, along with a change in the disposal of food waste which now

provides us with an income, is resulting in a forecast underspend of (£420,000). There is an opportunity to source a short term agreement for our waste disposal requirement from January 2020 up until October 2023 when the Waste Collection contract will expire with a view to procuring a joint waste collection and disposal contract from October 2023 onwards.

As a result of the revised agreement with Essex County Council relating to the waste Joint Working Agreement, we are continuing to receive a share of the Waste Infrastructure Grant in relation to the MBT. The value of this income in 2018/19 is forecast to be (£135,000).

Non Portfolio Performance

Current Budget	Initial Outturn	Management Actions	Expected Outturn	Forecast Variance
£000	£000	£000	£000	£000
(19,025)	(19,534)	0	(19,534)	(509)

Financing Costs

The (£509,000) favourable variance is due to investment income from Property Funds (£350,000), interest from Schools (£152,000), in-house investments (£19,000), short-term borrowing interest (£26,000) partly offset by an overspend on short-dated bond funds £38,000.

Contingency

The Strategic Director of Finance and Resources has delegated authority to release funds held as contingencies within the approved budget. As at Period 6 the following drawdowns have been approved

Drawdowns agreed as at period 5	£000 868
New for period 6	
Inflationary increase and realignment of Business Rates	156
Inflationary increase for the Waste Collection Contract	209
Inflationary increase for the Concessionary Fares Contract	92
Inflationary increase for street lighting energy costs	233
Funding for contamination surveys	13
Funding to support planning applications	7
Funding to support the Special Educational Needs and Disability (SEND) inspection	20
Total	1,598

Revenue Contribution to Capital

The original budget for 2018/19 included planned revenue contributions for capital investments, via the use of Earmarked Reserves, of £5,058,000. Due to slippage from 2018/19 into 2019/20 agreed at Cabinet in June 2018, this budget has now decreased to £2,583,000. The Capital Reserve will fund £2,129,000 of this, £238,000 is funded from the Agresso Reserve and the remaining £216,000 is funded from the People Workforce Strategy Team and energy savings generated from energy efficiency projects.

Transfers to / (from) Earmarked Reserves

Net transfers to Earmarked Reserves totalling £5,436,000 were agreed by Council when setting the 2018/19 budget in February 2018. The current outturn position allows for further in-year net transfers to reserves totalling £1,045,000. Total net transfers to reserves for 2018/19 are therefore forecast to be £6,481,000.

The net change of £1,045,400 comprises the following agreed additional transfers

Transfers to Earmarked Reserves

- £2,547,000 to the Capital Reserve - due to capital programme re-profiling

Transfers from Earmarked Reserves

- (£1,095,000) from the Children's Social Care Reserve – for supporting the OFSTED improvement programme, edge of care team, and secured looked after children placements.
- (£113,600) from the Business Transformation Reserve – for specific projects agreed by CMT.
- (£22,000) from the Troubled Families Reserve – for supporting the targeting of additional troubled families payment by results income.
- (£11,000) from the Children Social Care Reserve – for the Children's local Safeguarding board
- (£20,000) from the Adult Social Care Reserve – for the Adult's safeguarding board
- (£240,000) from the Public Health Reserve – for the Interim Director of Public Health and unachieved 2018/19 Sexual health and 0-5 Contract savings.

However as part of the proposed management actions, there is a request to transfer a further £306,000 of earmarked reserves; namely

- (£203,000) from the Licensing Reserve to recognise income received in 2017/18 relating to part of 2018/19
- (£40,000) from the Grants Reserve to fund the final cost of the Cultural Destinations project, funded by the Arts Council
- (£23,000) from the Grants Reserve to fund 2018/19 costs relating to the 60 Minute Mentor programme, which has been extended in Southend.
- (£40,000) from the Grants Reserve to fund the reimbursement of the remainder of the TRACE (Walking and Cycling Tracking Services) grant

Finally unless further management action and savings are identified to rebalance the budget, there will be the need to transfer a further £1,599,000 from the Business Transformation Reserve for the projected residual overspend at year end.

Housing Revenue Account

	Original Budget			Virement £'000	Latest Budget			Initial Outturn £'000	Proposed Management Action £'000	Expected Outturn £'000	Forecast Variance £'000	Movement from Period 5
	Gross Expend £'000	Gross Income £'000	Net £'000		Gross Expend £'000	Gross Income £'000	Net £'000					
Employees	210	0	210	0	210	0	210	210	0	210	0	↔
Premises (excluding repairs)	790	0	790	0	790	0	790	790	0	790	0	↔
Repairs	4,930	0	4,930	0	4,930	0	4,930	5,399	0	5,399	469	↑
Supplies and Services	69	0	69	0	69	0	69	69	0	69	0	↔
Management Fee	5,579	0	5,579	38	5,617	0	5,617	5,617	0	5,617	0	↔
MATS	1,146	0	1,146	0	1,146	0	1,146	1,146	0	1,146	0	↔
Provision for Bad Debts	394	0	394	0	394	0	394	394	0	394	0	↔
Depreciation	6,284	0	6,284	0	6,284	0	6,284	6,284	0	6,284	0	↔
Capital Financing Charges	3,515	0	3,515	0	3,515	0	3,515	3,515	0	3,515	0	↔
Gross Expenditure	22,917	0	22,917	38	22,955	0	22,955	23,424	0	23,424	469	↑
			0									
Fees and Charges	0	(349)	(349)	0	0	(349)	(349)	(349)	0	(349)	0	↔
Dwelling Rents	0	(24,900)	(24,900)	(38)	0	(24,938)	(24,938)	(25,500)	0	(25,500)	(562)	↑
Other Rents	0	(1,372)	(1,372)	0	0	(1,372)	(1,372)	(1,372)	0	(1,372)	0	↔
Other Income	0	(27)	(27)	0	0	(27)	(27)	(27)	0	(27)	0	↔
Interest	0	(250)	(250)	0	0	(250)	(250)	(250)	0	(250)	0	↔
Recharges	0	(566)	(566)	0	0	(566)	(566)	(566)	0	(566)	0	↔
Non Department Net Expenditure	0	(27,464)	(27,464)	(38)	0	(27,502)	(27,502)	(28,064)	0	(28,064)	(562)	↑
Net Operating Expenditure	22,917	(27,464)	(4,547)	0	22,955	(27,502)	(4,547)	(4,640)	0	(4,640)	(93)	↑
Revenue Contribution to Capital	1,925	0	1,925	(1,515)	410	0	410	410	0	410	0	↔
Contribution to/ (from) Earmarked Reserves	2,622	0	2,622	1,515	4,137	0	4,137	4,137	0	4,137	0	↔
Contribution to/ (from) General Reserves	0	0	0	0	0	0	0	0	0	0	0	↔
Net Expenditure/ (Income)	27,464	(27,464)	0	0	27,502	(27,502)	0	(93)	0	(93)	(93)	↑

Use of general Reserves	
Balances as at 1 April 2018	3,502
(Use)/ contribution to in Year	0
Balance as at 31 March 2019	3,502

3,502	3,502	0	3,502	0	↔
0	0	0	0	0	↔
3,502	3,502	0	3,502	0	↔

Overall Budget Performance

The HRA budget was approved by Council in February 2018 and anticipated an operating surplus of £4,547,000.

The closing HRA balance as at March 2018 was £3,502,000.

The latest forecast as at September 2018 indicates that the HRA will have an income surplus of (£93,000) in 2018/19. The main reasons are as follows:

- (£562,000) over recovery of rental income - This is because predictions as at the end of period 6 are showing higher rental income than budgeted for. The estimate assumes a 4% void allowance across all properties and the actual up to end of September has been less. Rather than increase the HRA balance, normal custom and practice would see this surplus transferred to the HRA Capital Investment Reserve.
- £469,000 revenue repairs overspend – This is due to the 18/19 contractual uplift of the main responsive repairs contract with Kiers.

Rather than increase the HRA balance, normal custom and practice would see this surplus transferred to the HRA Capital Investment Reserve.

Revenue Contribution to Capital Expenditure

The original budget for 2018/19 included planned revenue contributions for capital investments, via the use of Earmarked Reserves, of £1,925,000. Due to a reconsideration of the most appropriate way to finance the HRA capital programme this year, the level of RCCO has fallen to £410,000.

Transfers to / (from) Earmarked Reserves

Net transfers to Earmarked Reserves totalling £2,622,000 were agreed by Council when setting the 2018/19 budget in February 2018. The current outturn position allows for further in-year net transfers to reserves totalling £1,515,000. Total net appropriations to reserves for 2018/19 are therefore forecast to be £6,798,000.

The net change of £1,515,000 comprises the following planned appropriations

Transfers to Earmarked Reserves

- £1,515,000 to the Capital Investment Reserve due to programme re-financing

Finally based on the current forecasts, there will be the need to transfer a further £93,000 to the HRA Capital Investment Reserve in respect of the projected residual underspend at year end

Budget Transfers

In line with the approved financial procedure rules all budget transfers (Virements) over £50,000 between portfolio services or between pay and non-pay budgets are to be approved by Cabinet. Below is a table showing the transfers which fall within these parameters

	DR £000	CR £000
Transfers approved under delegated authority	143	(143)
Transfers over £50,000 previously reported	8,627	(8,627)
Transfers over £50,000 in this period for approval	2,610	(2,610)
Total Budget Transfers	11,380	(11,380)

The budget transfers for Cabinet approval this period are:

	£000
1) Merge of Support Teenage Pregnancy budget into Connexions team.	67
2) Correction to the Growth Hub (BEST) budget in line with agreed funding and resultant change in the South East Business Boost (SEBB) budget.	2,391
3) Final budget alignment of the Connexions team and saving delivered.	77
4) Final budget alignment of the Early Help team and saving delivered.	75
Total	2,610

Decisions Required

Members are asked to

- Note the forecast outturn for the General Fund and Housing Revenue Accounts as at September 2018
- Note the planned management actions of £3,230,000 to achieve that forecast outturn;
- Agree the planned budget transfers (Virements) of £2,610,170;
- Note the potential transfer of £1,293,000 from the Business Transformation Reserve in respect of the forecast General Fund overspend unless further management action and savings are identified to rebalance the budget; and
- Note the potential transfer of £93,000 to the HRA Capital Investment Reserve in respect of the forecast HRA underspend