



Revenue Budget Monitor 2018/2019 - January 2019

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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 9
	Gross Expend £'000	Gross Income £'000	Net £'000		Gross Expend £'000	Gross Income £'000	Net £'000					
Leader	13,384	(2,448)	10,936	620	13,935	(2,379)	11,556	11,416	0	11,416	(140)	↓
Growth	8,880	(5,799)	3,081	591	14,398	(10,726)	3,672	3,272	0	3,272	(400)	↑
Adult and Housing	69,994	(27,117)	42,877	(1,456)	70,043	(28,622)	41,421	41,918	(400)	41,518	97	↑
Children and Learning	108,037	(74,481)	33,556	4,579	105,895	(67,760)	38,135	39,910	(260)	39,650	1,515	↑
Healthy Communities and Wellbeing	119,551	(105,915)	13,636	1,268	103,141	(88,237)	14,904	14,814	(30)	14,784	(120)	↓
Infrastructure	28,408	(14,235)	14,173	1,046	29,429	(14,210)	15,219	17,416	0	17,416	2,197	↑
Public Protection	17,515	(3,733)	13,782	778	18,108	(3,548)	14,560	13,480	(31)	13,449	(1,111)	↓
Portfolio Net Expenditure	365,769	(233,728)	132,041	7,426	354,949	(215,482)	139,467	142,226	(721)	141,505	2,038	↑
Reversal of Depreciation	(39,074)	10,793	(28,281)	(2,134)	(45,228)	14,813	(30,415)	(30,415)	0	(30,415)	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	8,270	0	8,270	36	↑
Contingency	5,716	0	5,716	(2,211)	3,505	0	3,505	3,055	0	3,055	(450)	↔
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)	(4,653)	(36,585)	14,813	(21,772)	(22,186)	0	(22,186)	(414)	↑
Net Operating Expenditure	337,857	(222,935)	114,922	2,773	318,364	(200,669)	117,695	120,040	(721)	119,319	1,624	↑
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	(2,678)	2,380	0	2,380	2,380	0	2,380	0	↔
Contribution to / (from) Earmarked Reserves	5,436	0	5,436	(95)	5,341	0	5,341	4,586	0	4,586	(755)	↓
Net Expenditure / (Income)	348,351	(225,315)	123,036	0	326,085	(203,049)	123,036	124,626	(721)	123,905	869	↓
Revenue Support Grant	0	(10,318)	(10,318)	0	0	(10,318)	(10,318)	(10,318)	0	(10,318)	0	↔
Business Rates Top-up Grant	0	(12,085)	(12,085)	0	0	(12,085)	(12,085)	(12,085)	0	(12,085)	0	↔
Retained Business Rates	0	(21,924)	(21,924)	0	0	(21,924)	(21,924)	(24,424)	0	(24,424)	(2,500)	↔
Collection Fund Surplus	0	(2,500)	(2,500)	0	0	(2,500)	(2,500)	(2,500)	0	(2,500)	0	↔
Contribution to / (from) General Reserves	0	0	0	0	0	0	0	910	(910)	0	0	↔
Council Tax Requirement	348,351	(272,142)	76,209	0	326,085	(249,876)	76,209	76,209	(1,631)	74,578	(1,631)	↓

Use of General Reserves	
Balance as at 1 April 2018	11,000
(Use) / contribution to in Year	0
Balance as at 31 March 2019	11,000

11,000	11,000		11,000	0	↔
0	910	(910)	0	0	↔
11,000	11,910	(910)	11,000	0	↔

Overall Council Revenue Budget Performance

The Council is forecasting a net year end surplus of £1,631,000 as at the end of January 2019

This report outlines the budget monitoring position for the General Fund and Housing Revenue Account for 2018/2019, based on the views of the Deputy Chief Executive's, Strategic Directors, Directors and their Management Teams, in light of the performance of expenditure and income to 31 January 2019. 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 January is a net surplus of (£1,631,000) which is (1.3%) of net expenditure or (2.1%) of council tax requirement. This compares to a net surplus of £1,553,000 at the end of December. This end of year forecast is derived as follows:

£2,759,000 initial portfolio overspend
less £721,000 management actions, principally being
<ul style="list-style-type: none"> • £400,000 adults transformation savings (Adults & Housing) • £50,000 childrens savings (Children & Learning) • £210,000 troubled families income target (Children & Learning)
results in £2,038,000 forecast portfolio overspend, principally being
<ul style="list-style-type: none"> • <u>Overspends</u> • £120,000 civic centre maintenance (Growth) • £270,000 Learning Disabilities and Mental Health residential care (Adults & Housing) • £115,000 Supporting People and Housing (Adults & Housing) • £940,000 childrens social care placements (Children & Learning) • £490,000 childrens social care staffing (Children & Learning) • £325,000 parks and open spaces income shortfall (Healthy Communities & Wellbeing) • £700,000 highways (Infrastructure) • £750,000 car parking (Infrastructure) • £690,000 streetwork permit income (Infrastructure) • <u>Underspends</u> • (£380,000) additional rental income (Growth) • (£195,000) additional planning income (Growth) • (£345,000) Older People residential care (Adults & Housing) • (£170,000) customer services staffing (Healthy Communities & Wellbeing) • (£300,000) Public Health staffing and contract delivery (Healthy Communities & Wellbeing) • (£235,000) flood defences (Public Protection) • (£760,000) waste disposal and management (Public Protection)
less £414,000 non portfolio underspends, principally being
<ul style="list-style-type: none"> • (£450,000) release of unused contingency
less £755,000 from earmarked reserves
less £2,500,000 additional funding
<ul style="list-style-type: none"> • (£2,500,000) additional income associated with business rates
results in £1,631,000 forecast net surplus by the year end

This represents an improved position compared to December 2018.



**General Fund Portfolio Forecast Comparison 2018-19
as at Period 10 - January 2019**

Portfolio	Latest Budget 2018/19 £000	Projected Outturn 2018/19 £000	January Forecast Variance £000	December Forecast Variance £000	Trend
Leader	11,556	11,416	(140)	(80)	↓
Growth	3,672	3,272	(400)	(408)	↑
Adult and Housing	41,421	41,518	97	0	↑
Children and Learning	38,135	39,650	1,515	1,085	↑
Healthy Communities and Wellbeing	14,904	14,784	(120)	140	↓
Infrastructure	15,219	17,416	2,197	1,871	↑
Public Protection	14,560	13,449	(1,111)	(1,039)	↓
Total Portfolio	139,467	141,505	2,038	1,569	↑
Non-Service Areas	(21,772)	(22,186)	(414)	(422)	↑
Earmarked Reserves	5,341	4,586	(755)	(200)	↓
Source of Funding	(46,827)	(49,327)	(2,500)	(2,500)	↔
Net Expenditure / (Income)	76,209	74,578	(1,631)	(1,553)	↓

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) Residual
	Target Saving £000	Green £000	Amber £000	Expected Delivery of Savings £000	Red - Estimated not Deliverable £000	Saving mitigated in year £000	Under / (Over) Delivery £000
Leader	80	0	0	0	80	80	0
Growth	509	509	0	509	0	0	0
Adults and Housing	2,325	2,235	0	2,235	90	90	0
Children and Learning	840	180	150	330	510	360	150
Healthy Communities and Wellbeing	504	355	0	355	149	149	0
Infrastructure	1,006	906	0	906	100	100	0
Public Protection	30	12	0	12	18	18	0
	5,294	4,197	150	4,347	947	797	150
Non-Portfolio	2,300	2,300	0	2,300	0	0	0
	7,594	6,497	150	6,647	947	797	150

The current forecast is showing £947,000 of savings as being undeliverable in year. These savings are

	£000		Explanation	Mitigation
Leader				
PL18	80	Print Contract Savings	Saving not deliverable due to on-going management fee funding requirements with new provider	Mitigated through other one off underspends
Children and Learning				
PE10	100	Children Services transformation	Savings not deliverable due to required workforce to meet case load demand	Mitigated through an internal children department budget transfer
PE11	165	Children service savings		
PE2	150	Review of placements	Saving not deliverable due to current numbers of Children in Care in the external market	No financial mitigation available within portfolio service
PE4	25	Passenger transport	Procurement saving not deliverable in year, but	In year mitigation through an

			due to be delivered in 2019/20	underspend in the use of the education public transport provision
PE5	70	Education savings	Specific in year savings relating to a service contract and a traded income target undeliverable	Mitigated by additional DfE grant income in 2018/19 £50k and in year underspends within schools support services
Healthy Communities and Wellbeing				
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		
Infrastructure				
PL2	100	Cost Reductions in Highways Infrastructure	Increased Highways defects due to adverse weather conditions	Mitigated by use of the Pothole Action Fund from DfT in 2018/19
Public Protection				
PL9	15	Trade Licence to use Public Highway	Charging arrangements not in place for 2018/19; will be delivered in 2019/20	Mitigated by staffing vacancies in 2018/19
PL11	3	Food Hygiene Rating Scheme Re-assessment		
Adult Social Care				
PE4	25	Passenger transport	Procurement saving not delivered in 2018/19 but due to be delivered in 2019/20	Mitigated through an internal LD budget transfer
PE8	65	Procurement Plan	Procurement savings not delivered in 2018/19 on Supporting People contracts. There are plans to deliver in 2019/20	Requested to draw down from earmarked reserves.
947				

Against these undeliverable savings, in year mitigations of £797,000 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
11,556	11,416	0	11,416	(140)

There is currently a forecast underspend of (£140,000) in the Leader's Portfolio which equates to 1.2% of the £11.556M net budget allocation.

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 (£30,000) is forecast resulting from lower short-term borrowing and Public Works Loan Board charges. The budget for the post of Strategic Director of Legal & Democratic Services will not be fully utilised due to vacant hours which is expected to result in a further (£20,000) underspend at year-end.

There is a projected underspend of (£70,000) on Accountancy due to vacancies and a semi-retirement in Financial Management and Financial Planning & Control. This is despite a pressure on the income budget due to more schools converting to Academy status and no longer buying into the School Finance Team's service.

The Internal Audit team continue to make use of Contractors to deliver their programme which is funded by vacancies. Notwithstanding this, a (£80,000) underspend at year end is expected.

It is projected there will be a £40,000 pressure on the Human Resources budget which is mainly due to the additional costs of job evaluations, pension enrolments and a vacancy factor which will not been met. The team are managing a number of projects which has resulted in higher than usual use of Agency staff.

The expansion of the Emergency Planning team to make it more resilient and fit for purpose has been mostly funded by Contingency in year. An overspend of £20,000 is still expected at year-end as a result of Job Evaluations and one off recruitment fees.

Portfolio Performance – Growth

Current Budget	Initial Outturn	Management Actions	Expected Outturn	Forecast Variance
£000	£000	£000	£000	£000
3,672	3,272	0	3,272	(400)

The forecast underspend of (£400,000) in the Growth Portfolio is 10.9% of the £3.672M net budget allocation.

Asset and Facilities Management

The Council's strategy to develop income streams through Commercial Property acquisitions is resulting in a forecast underspend of (£380,000) at year-end. In the main this income has been generated from the units at Fossetts Farm, rent increases on existing leases and higher than expected turnover rent at Southend Airport.

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 and currently more time has been capitalised than expected resulting in a (£20,000) forecast underspend.

Economic Development and Regeneration

Due to the number of events in the Town Centre, additional income has been received from organisations that are using the High Street for promotional purposes. This, alongside the popularity of the High Street markets is resulting in additional income of (£22,000). With the focus on the town centre, new initiatives to better understand the use and popularity of the High Street are being explored which will help provide an evidence base for potential investment decisions by both the private sector and the Council.

A number of the economic growth projects are externally funded and require regular claims to be made to funders – some in advance, some in arrears and others on a payment by results model. All continue to draw down funding in accordance with the terms and conditions of the grants so the committed financial support is being made available to the Council ensuring ongoing delivery and budget management.

Planning

Applications have been made for 7 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 (£195,000) 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

Tourism

Due to the major investment in the pier structure there are a greater number of inspections taking place. As a result of this, additional repairs and maintenance work is being identified and this is resulting in a forecast over spend of £40,000. Additional works are also being undertaken by our water testing contractor at a range of sites including the City Beach Fountains and the 3 Shells Lagoon. These additional works are creating an overspend on the Pier and Foreshore repairs and maintenance budget of £120,000.

Due to a record year for visitor numbers at the Pier in the 2018 calendar year, the income target is expected to be exceeded by (£160,000) by the end of the financial year.

Portfolio Performance – Adults and Housing

Current Budget	Initial Outturn	Management Actions	Expected Outturn	Forecast Variance
£000	£000	£000	£000	£000
41,421	41,918	(400)	41,518	97

The Adults and Housing Portfolio are forecasting a final year end overspend of £97,000. This forecast is assuming the delivery of all the (£400,000) management actions so this forecast is being closely monitored because of the volatility of Adult Social Care budgets.

Adult Social Care

Adult social care is reporting an underspend of (£18,000) as at the end of period 10. As stated above, this position assumes full delivery of the agreed 2018/19 savings. There is therefore a degree of risk to the accuracy of these projections at this time.

Strategy, Development and Commissioning – the year end forecast variance on Commissioning is an underspend of (£65,000). This is due to vacancies across Commissioning, Performance and Planning and Engagement teams.

Older People – The management action on Older People is (£300,000). This reflects the outstanding 2018/19 savings which are currently being reported as amber. The forecast variance is an underspend of (£345,000) due to an overall reduction in the actual commitment on older people residential and domiciliary care. We are continuing to see an increase in the overall commitment on interim residential placements. This is expected, as clients go in interim placements in the first instance, to support them to eventually go back home. Reablement is also going up as more intensive support is provided to help people live independently at home. The residential placements have reduced slightly from 17/18. This reflects the transformation work currently going on in the service, continuing to promote and encourage maximum independence and support the clients to maintain their wellbeing and better quality of life. This is being achieved by working with providers that support short stays in care homes, through enablement and reablement, with the aim of improving outcomes for residents. This helps them become more independent with daily living activities.

Learning Disabilities - The forecast year end pressure on learning disabilities as at period 10 is £143,000, and this assumes full delivery of the (£100,000) management actions. There is currently an increase in the commitment on residential placements and supported living. This increase is due to a slight increase in the numbers of people in residential and supported living placements. There is also a pressure on LD transport on day care services and this pressure is being dealt with within LD budgets.

Mental Health – The forecast year end pressure on mental health is £230,000, which is an increase on period 9 of £130,000. The main pressure is on residential placements, with the current year commitment being higher, and we have seen an increase in the commitment on supported living placements. This increase is also due to a demand increase on residential placements. There has also been more use of agency staff to cover vacant social worker posts on the mental health team, which is costing more than permanent staff.

In October the government announced a £240M social care investment to ease winter pressures and Southend has been allocated £824,000. The funding will primarily contribute towards a number of community based initiatives that will enhance our whole system transformational approach to supporting people. By looking at the positives through strengths-based assessments, care planning and focusing on individual abilities and community assets, the investment will help to support a preventative approach in line with locality working.

Private Sector Housing

Private Sector Housing is forecasting to underspend by (£140,000) as at the end of period 10. This is because of the vacant posts currently in the team, some of which are being temporarily covered by agency staff. There has recently been a recruitment drive to recruit on a permanent basis.

Supporting People

The forecast variance on Supporting People contracts is £65,000 overspend. This is an increase on the reported online position at period 9, and reflects the non-delivery of the management action. £35,000 of the 2018/19 £100,000 savings has been delivered. It is therefore recommended that the £65,000 is drawn from the earmarked reserve. There are plans to deliver the savings in 2019/20.

Housing and Homelessness

General fund housing is forecasting an overspend position of £190,000 at the end of period 10. 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 has now finalised service level agreements with the partners to deliver the intended outcomes, focusing 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 continued to see an increase in active homeless cases compared to same period last year. At the end of January 2018 we had 205 active cases, and in January 2019 we had 358 active cases, a 75% increase. 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
38,135	39,910	(260)	39,650	1,515

The Portfolio for Children and Learning is currently forecasting a final year end overspend variance of £1.515M or equivalent 4.0% compared to the latest net budget allocation of £38.135M, and this is after the expectation that all current in year management actions of (£260,000) to reduce the initial outturn forecasts are delivered.

The management actions of (£260,000) 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 (£150,000) outstanding for this portfolio, and a further targeted (£110,000) troubled families' payment by results income.

The forecast overspend variance is entirely attributable to financial pressures within Children Social Care. It should be noted that financial pressures within Children Social Care is recognised as a national 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 which has 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 (including required agency social workers), recruitment, training and development has been required to support child in need a budget pressure of £492,000 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, whereby this is practically apparent in the external residential care market. Children Social Care have also been required to place 5 children in secured residential accommodation for their safety this year. Whilst these placements are not long term, they are unfortunately at significant cost for Local Authorities. As previously referenced and illustrated under the use of ear marker reserves additional one off funding has been approved and drawn to support the cost of the secured placements. However, the budget to support the cost of external placements (Private and Independent placements) remains with a forecasted budget pressure of £620,000 this year.

And however whilst, the work of the Edge of Care team is proving to prevent further placements entering the care system where safe to do so and appropriate for the child. The overall numbers of children currently in care (as also demonstrated through the performance reports) has slightly increased from 2017/18, and this remains apparent within the external

under -16 residential care market. Therefore the 2018/19 planned budgeted saving PE2 has been undeliverable, and is recognised as part of the £620,000 remaining budget pressure on Private and Independent placements. (It must also remain minded that this is both a local and national issue)

It also needs to continue 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 a supported accommodation type placement. Therefore due to the increase in the numbers of looked after children who are then transitioned to the leaving care team, this has also added an ongoing budget pressure of £220,000.

Children social care is also required to provide support to families who are under the status of 'no recourse to public funds' with temporary accommodation, whereby they are assessed as in need and eligible, a budget pressure of £93,000 this year.

The children with disabilities budget is now also reporting a £100,000 overspend pressure, there has been an increase in the overall cost provision where support packages are tailored to the assessed need of the child.

The directorate continues to look towards reducing the ongoing financial pressures on a longer term basis, but remains a challenge given the volatility in the nature of service provision.

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 (£50,000), although these savings are either yet to be achieved or currently at risk of delivery in full.

Youth and Family Support

Youth and Family Support is forecasting a small net underspend of (£10,000), 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.

The Youth and Family support service will be providing an update on this financial management action, for next period.

Education and Schools

Education and Schools is forecasting a final net expenditure position on-line to budget, therefore remaining in balance to budget overall.

However, whilst, the Council's Learning department is forecasting a total position on line to budget, it should be noted that there is a £100,000 overspend pressure on School Support and Education Transport, which is mainly attributable to in year pressures on Educational Transport, offset by a (£100,000) underspend within the Councils element of High Need educational funding due to a continued, due to an unexpected government grant receipt in

2018/19 for the SEN reforms. Although, a welcome receipt, the government had not announced this grant would continue for another year, before the original council budget was set.

Education and Schools (Dedicated Schools Grant only)

The Dedicated Schools Grant (DSG) is a specific and ring fenced government grant to support both education and early years providers and therefore sits outside of the Council's own general fund resources.

As clearly highlighted within previous budget monitoring reports, and the Education Board - Dedicated School Grant financial reports themselves, from the autumn term of 2016/17 the High Needs budget has experienced considerable increase in costs, associated with need and therefore demand for special school placements, mainstream schools and Independent provider placements, resulting in a current total DSG deficit reserve balance of (£537,000). This local financial position again is not just a local issue but a recognised national issue.

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

It also needs to be strongly noted that under the Government's revised National Funding Formulae administered from 2018/19, Southend is now also recognised as significantly underfunded on its high need block allocation, and will therefore be receiving additional and much needed funding towards its the high needs block funding allocation 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.

It must also be noted, there was a recent and welcome announcement from the Department for Education on the 17th December formally recognising the DSG funding pressures related to High needs which have been mainly driven by the SEND reforms of 2014. This announcement included an increase in funding of £250M nationally (£125M in both 2018/19 and 2019/20) and of which £410,000 is applicable for Southend in both years.

The assessment of this new £410,000 funding announcement in terms of both the potential positive impact on both DSG reserve balances and funding applied to settings will be considered in further Education Board DSG finance reports. This is also in recognition of the continued and positive joint work of the local authority and education board.

Maintained Schools Delegated

Forecast on line to budget. This simply reflects the dedicated schools grant revenue funding and pupil premium funding that is passed through to support our local maintained schools, as well as including 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
14,904	14,814	(30)	14,784	(120)

The forecast underspend of (£120,000) in the Healthy Communities and Wellbeing Portfolio is 0.8% of the £14.904M net budget allocation.

Culture

The delivery partner of Twenty One terminated their agreement with us earlier this year and as a result, the venue is now only open for private events. 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 £20,000.

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 understood that the increase in budget gyms and the uptake of cycling and running has had an impact on organised team sports which subsequently has reduced the income this generates within our parks by £210,000. The Parks service currently have a vacant Project Officer post which it is anticipated will not be filled by the end of the financial year. This will result in a staffing underspend of (£20,000). It is expected that this post will be filled in 2019/20 and the team will be fully staffed.

The mobile library has been off of the road for a number of 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.

Although the Museums and Galleries service is fully staffed, there has been a requirement to provide peak relief staff during busy periods throughout the year to provide cover and this is resulting in a forecast pressure of £40,000.

Customer Services

The Group Manager of the Customer Services team has been leading the “Channel Shift” Project meaning that a proportion of her salary costs can be capitalised. This is creating an underspend against her salary budget. Despite high costs for agency staff, this, along with other staff vacancies, has resulted in an underspend of (£170,000) being forecast. The team have completed a management restructure with all the vacant posts now appointed to.

Revenues and Benefits

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

The Public Health grant is a specific ring fenced grant for local authorities to discharge their public health functions as set out in the National Health Service Act (2006) S73B.

There is an anticipated (£100,000) underspend on school nursing because the team has had several vacant posts over the year. There are also staffing savings on the general public health team budget due to vacant posts (£100,000). The Smoking Cessation budget is also anticipated to underspend by (£100,000). When the budget was originally set, the Smoking Cessation target was higher than the current target of 781 and this will result in an underspend. Because of the conditions of this grant, Public health is forecasting an online position as at the end of period 10, the total forecast underspend of (£300,000) will be transferred to the public health reserve at the end of the year.

It should be noted that the Council are currently out to tender for 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
15,219	17,416	0	17,416	2,197

The forecast overspend of £2.197M in the Infrastructure Portfolio is 14.4% of the £15.219M net budget allocation. The key variances are £698,000 within the highways maintenance budget, £755,000 relating to car parking and a £686,000 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 previously. 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 £475,000 above the original budget 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. As part of the Autumn budget statement the Council has received £617,000 of additional funding in 2018/19 for pothole funding. Of this, (£400,000) has been allocated to the main revenue budget for routine maintenance and as such, a pressure of £75,000 at the end of the year is anticipated based on current assumptions.

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 £80,000 of repairs and maintenance expenditure which with more information as to how the incident occurred, could have been recharged to the offender. The number of incidents is also impacting on the traffic signals budget whereby the maintenance contractor is undertaking chargeable works to reinstate the signals, and the highways maintenance contract is being utilised for any reactive maintenance for required civil engineering works. This is resulting in a forecast overspend in the Traffic Signals budget of £89,000.

Income from rechargeable works has historically been low and based on current income a shortfall of £125,000 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 an effort to increase the number of Highways Inspectors within the Borough, the establishment was increased by 3 additional Inspectors who were to be funded by the additional income generated from streetwork permits and the inspections after work has been completed. Unfortunately this additional income hasn't materialised and therefore the cost of these staff is resulting in a forecast overspend of £90,000.

There has been on average a 15% increase in the number of PCN's (Penalty Charge Notice) issued against the same time period last year and a £152,000 increase in the income collected for those tickets as at the end of January. However there is still an anticipated shortfall in the income budget of £195,000. Due to a significant write off of historic debt which can no longer be collected, it is anticipated that (£215,000) will be released from the bad debt provision built up over prior years. The number of PCN's registered with the Traffic Enforcement Centre has also increased in 2018/19 in an attempt to collect outstanding debts. Although there is a cost associated with this registration, estimated at £15,000 for this financial year, it allows further opportunities for the debt to be collected. The implementation of a CCTV (closed circuit television) vehicle is resulting 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 £30,000 in decriminalised parking and £45,000 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 10, 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 £365,000. There is also an anticipate shortfall in the income generated from season tickets and resident permit schemes of £135,000. Security at the University Square car park has been increased to 24 hours which increases the pressure on this budget to £105,000 and an additional £60,000 has been spent on upgrades to the pay & display machines within the borough.

The latest estimates from our concessionary fares consultants suggest that the concessionary fares budget will underspend by approximately (£156,000). This is due to the decision made in 2016 to switch to a calculator method rather than a fixed amount which takes account of actual passenger numbers. Due to declining numbers, the amount to be paid to Essex County Council in relation to the concessionary fares scheme will also reduce.

Unfortunately the Travel Centre has been vandalised on a number of occasions and incidents of anti-social behaviour have resulted in the necessity to provide regular security patrols at the site in order to provide a safe environment for bus users. This security service is estimated to result in an overspend of £90,000.

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 £365,000. 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. There has also been a number of write offs agreed in January which is putting an additional pressure of £320,000 on the income target.

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.

Portfolio Performance – Public Protection

Current Budget	Initial Outturn	Management Actions	Expected Outturn	Forecast Variance
£000	£000	£000	£000	£000
14,560	13,480	(31)	13,449	(1,111)

The forecast underspend of (£1.111M) in the Public Protection Portfolio is 7.6% of the £14.560M net budget allocation.

Community Safety

Due to a review of the strategy for replacement and procurement of new CCTV equipment, the additional revenue provision for maintenance is currently not required. This is resulting in a forecast underspend of (£35,000). A carry forward request has been made for the remaining capital funding and a further capital bid has been submitted for 2019/20.

The recruitment for the Borough Wide Patrol team has concluded and the permanent team will be in post shortly. In order to ensure a smooth transition from the temporary arrangement in place, there will a period of dual running to ensure that the new staff are trained and ready to patrol the Borough. As a result of this dual running and the recruitment of staff it is anticipated that there will be an overspend of £69,000

Cemeteries and Crematorium

Income received for Cremation services is higher than originally forecast. An underspend of (£90,000) has been estimated which anticipates a pressure due to the hospital processing more Public Health Act funerals. To date more costs have been incurred and less income has been collected when compared to last year's outturn.

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 (£235,000).

Regulatory Services

Due to internal promotions there is currently a vacancy within the team which will result in a staffing underspend of approximately (£80,000). Attempts to fill vacancies throughout the year have proved difficult and it is felt that our proximity to London is making it difficult to recruit staff. As a result, attempts are now being made to develop a programme to 'grow our own' to train and retain staff.

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. The MBT has recently been switched off to some waste streams and as a result some waste has been diverted to landfill. 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 (£525,000). 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 (£235,000).

Non Portfolio Performance

Current Budget	Initial Outturn	Management Actions	Expected Outturn	Forecast Variance
£000	£000	£000	£000	£000
(21,772)	(22,186)	0	(22,186)	(414)

Financing Costs

The £36,000 adverse variance is a reduced forecast from Period 8 which was £28,000 and is due to;

- A shortfall of £60,000 in the Property Investment Fund due to a revision of the full year estimate based on quarter 3 performance;
- A loan made to South Essex College is attracting interest at market rates. Due to the unknown timing of the capital receipt at budget setting, additional interest of (£152,000) will be received;
- A favourable variance of (£252,000) is expected to arise due to reduced long term Public Works Loan Board borrowing which is now anticipated to be in the region of £20M, half the amount that was originally forecast.
- A favourable variance of (£41,000) due to short-term borrowing is partly offsetting a pressure of £52,000 which has materialised due to the statutory mitigation implemented in November's report.
- There is expected to be an adverse variance of £309,000 due to greater Capital Expenditure in 2017-18 than expected.
- Due to delays in long term borrowing, low balances are being kept in Money Market Funds which is resulting in an adverse variance of £60,000.

Contingency

The Strategic Director of Finance and Resources has delegated authority to release funds held as contingencies within the approved budget. As at Period 10 the following drawdowns have been approved:-

Drawdowns agreed as at period 9	£000 2,139
• Funding for Contaminated Land Survey	21
• Funding for Planning Support	4
• Funding for Enforcement Bid (Public Protection)	9
• Event Support within Public Health	20
• Redaction Officer, Adults & Housing Business Support	17
Total	2,210

A thorough review of contingency balances has been conducted resulting in an underspend of (£450,000) being forecast.

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 November 2018, this budget has now decreased to £2,380,000. The Capital Reserve will fund £1,940,000 of this, £238,000 is funded from the Agresso Reserve and the remaining £202,000 is funded from the People Workforce Strategy Team, energy savings generated from energy efficiency projects and contingency.

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 from reserves totalling (£95,000). Total net transfers from reserves for 2018/19 are therefore forecast to be £5,341,000.

The net change of (£94,900) comprises the following agreed additional transfers

Transfers to Earmarked Reserves

- £2,736,000 to the Capital Reserve due to programme re-profiling
- £300,000 from Contingency for Welfare Reforms to the Welfare Reform Reserve

Transfers from Earmarked Reserves

- (£1,518,600) from the Children's Social Care Reserve – to support the OFSTED improvement programme, Edge of Care Team, secured looked after children placements and Children's Local Safeguarding Board.
- (£555,300) 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.
- (£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.
- (£185,000) 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
- (£15,000) from the Election Reserve to supplement funding for the Local Government Elections held in May
- (£472,000) from the Dedicated Schools Grant Reserve, to support in year DSG funding pressures

However, as part of the proposed management actions, there is a request to transfer a further £755,000 of earmarked reserves; namely

- £300,000 to the Public Health reserve as a result of a forecast underspend on the ringfenced grant
- (£200,000) from the Interest Equalisation Reserve to mitigate against the impact the change in government regulations has on recognition of interest income
- (£65,000) from the Supporting People Reserve to mitigate the unachieved element of saving PE8
- (£790,000) release of surplus funds within the Grants Reserve

Providing the request to transfer (£755,000) above is agreed, there will be a need to transfer £1,631,000 to the Business Transformation Reserve for the projected residual underspend at year end.

Funding the Budget

The funding of the net £123.036M budget of the Council is largely fixed at the start of the year, being derived from the preset revenue support grant and business rates top-up grant from central government, the council tax precept and business rates retained share from local taxpayers, and any release of accumulated collection fund surpluses. However in addition to these fixed amounts, the Council is also in receipt of Section 31 grants paid to compensate the Council for changes made to the Government's business rates scheme, and also new for this year anticipated benefit to be derived from being a part of the Essex Business Rate Pool. A review of the anticipated income relating to Section 31 grants and the Essex pool has been undertaken, and it is forecast that the Council will receive some £2,500,000 additional income in year to support the Council Budget.

Housing Revenue Account

	Original Budget			Virement	Latest Budget			Initial Outturn	Proposed Management Action	Expected Outturn	Forecast Variance	Movement from Period 9
	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	770	0	770	(20)	↑
Repairs	4,930	0	4,930	469	5,399	0	5,399	5,399	0	5,399	0	↔
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	3,505	0	3,505	(10)	↔
Gross Expenditure	22,917	0	22,917	507	23,424	0	23,424	23,394	0	23,394	(30)	↑
			0									
Fees and Charges	0	(349)	(349)	0	0	(349)	(349)	(349)	0	(349)	0	↔
Dwelling Rents	0	(24,900)	(24,900)	(507)	0	(25,407)	(25,407)	(25,595)	0	(25,595)	(188)	↓
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)	(240)	0	(240)	10	↔
Recharges	0	(566)	(566)	0	0	(566)	(566)	(525)	0	(525)	41	↔
Non Department Net Expenditure	0	(27,464)	(27,464)	(507)	0	(27,971)	(27,971)	(28,108)	0	(28,108)	(137)	↓
Net Operating Expenditure	22,917	(27,464)	(4,547)	0	23,424	(27,971)	(4,547)	(4,714)	0	(4,714)	(167)	↓
Revenue Contribution to Capital	1,925	0	1,925	0	1,925	0	1,925	1,973	0	1,973	48	↔
Contribution to/ (from) Earmarked Reserves	2,622	0	2,622	0	2,622	0	2,622	2,741	0	2,741	119	↑
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	27,971	(27,971)	0	0	0	0	0	↔

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 January 2019 indicates that the HRA will have an operating surplus of £4,714,000, an increase of (£167,000) in 2018/19. The main reasons are as follows:

- (£20,000) underspend on council tax because the actual council tax on void sheltered properties is higher than estimated in the budget. The assumption for the council tax budget was at higher voids than the actual to date.
- (£188,000) over recovery of rental income - This is because predictions as at the end of period 7 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 October has been less. Rather than increase the HRA balance, normal custom and practice would see this surplus transferred to the HRA Capital Investment Reserve.
- £41,000 overspend on the recharge to the HRA capital programme. This is because of the anticipated underspend on the capital budget.

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. There had been earlier thoughts to finance the majority of this through different means, but for now it is considered that it is appropriate to stick with the original proposal. Due to a revision in the capital programme however the RCCO has risen by £48,000.

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. Based on the current forecasts, there will be the need to transfer a further £119,000 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 over £50,000 in this period for approval	377	(377)
Transfers over £50,000 previously reported	25,836	(25,836)
Transfers approved under delegated authority	206	(206)
Total Budget Transfers	26,419	(26,419)

The budget transfers for Cabinet approval this period are:

	£000
1) Allocation of remaining Public Health Grant 18/19.	258
2) Move Occupational Therapy Posts from Housing to OT Team.	119
Total	377

Decisions Required

Members are asked to

- Note the forecast outturn for the General Fund and Housing Revenue Accounts as at January 2019
- Note the planned management actions of £721,000 to achieve that forecast outturn;
- Agree the planned budget transfers (Virements) of £377,000;
- Note the potential transfer of £1,631,000 to the Business Transformation Reserve in respect of the forecast General Fund net surplus; and
- Note the potential transfer of £119,000 to the HRA Capital Investment Reserve in respect of the forecast HRA net surplus