

Cabinet

11 September 2013

Forecast of Revenue and Capital Outturn 2013/14 for General Fund and Housing Revenue Account – Period to 30 June 2013 and Medium Term Financial Plan 4 Update



**Report of Corporate Management Team
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Purpose of the Report

- 1 To provide Cabinet with a forecast of 2013/14 revenue and capital outturn for the period to 30 June 2013 for the Council's General Fund and Housing Revenue Account and to provide an update on our Medium Term Financial Plan 2014/15 to 2016/17 (MTFP 4).

Background

- 2 This report is the first indication of the revenue and capital outturn for 2013/14 based on actual expenditure and known commitments as at 30 June 2013.
- 3 The report also provides an update of MTFP 4 following the report to Cabinet on 17 July 2013. Since then we have done a full analysis upon the Government's 26 June 2013 Spending Round for 2015/16 and their subsequent consultation document on the Local Government Finance Settlement for 2014/15 and 2015/16 published on 25 July 2013.

MTFP 4 Funding Update

- 4 The Government Spending Round proposed a 10% reduction in Local Government funding for 2015/16 together with a wide range of additional funding streams to 'balance' this 10% core funding reduction; plus an additional £3.8bn of funding to be made available nationally to enable Local Government and the National Health Service (NHS) to pool budgets in the future was also announced.
- 5 The impact of these forecasted changes in grant will mean that the total savings that the Council will have had to make across the 2011 – 2017 period will now exceed £220m.
- 6 The forecast reductions from the Spending Round would result in a £13.5m reduction in funding for the Council. It is now apparent from the Spending Round however, that NHS funding presently being received by the council will now continue into 2015/16 and beyond. This has therefore enabled our previously forecasted loss of funding of £7.1m to be retained in our base

budget for 2015/16, making the overall additional forecasted pressure in 2015/16 resulting from the Spending Round to be £6.4m.

- 7 Information contained in the Spending Round has also meant a forecasted deterioration in the funding position of £8m for 2016/17.
- 8 Having regard to the Local Government Finance Settlement consultation document for 2014/15 and 2015/16, this includes proposed allocations of Revenue Support Grant (RSG) for all local authorities with an average reduction across the country for 2015/16 of 13.1%. After taking into account forecast inflation of 1.8% this is therefore an average 'real terms' reduction of 14.9% for all local authorities compared to the Government's quoted level of "10%". The information received from the DCLG at this stage is that the majority of the additional funding streams for local authorities announced in the Spending Round, to 'balance' this quoted "10% reduction" in core funding, are to be top sliced from Revenue Support Grant.
- 9 Also, in line with previous years' funding reductions, since the Government's first emergency budget in June 2010, the Council along with all other councils with high levels of deprivation, is to receive a higher reduction in RSG than the national average. For the Council, the 'real terms' reduction in 2015/16 is to be 16.4% compared to the national average of 14.9% which amounts to £16.4m in cash terms.
- 10 Based on these figures, the Council's savings target shortfall for 2015/16 and 2016/17 where savings will need to be identified to bring our MTFP into balance is now circa £77m.
- 11 The Leader of the Council has written a personal letter to the Secretary of State for Communities and Local Government expressing the Council's very serious concerns at how unfair the proposed grant settlement for 2014/15 and 2015/16 will be on Durham. The Council is also in discussion with the Local Government Association, the Special Interest Group of Metropolitan Authorities (SIGOMA) and the Association of North East Councils (ANEC) to formulate a very strong consolidated response to the government's consultation that exemplifies how unfair the current allocations are for Durham and other similar councils. A briefing will also be prepared for our Members of Parliament.
- 12 A further MTFP 4 update report will be brought to Cabinet on 9 October 2013.

2013/14 Revenue Forecast

- 13 The table overleaf compares the forecast with the revised budgets and is shown in more detail in Appendices 2 and 3:
- 14 The following adjustments have been made to the Original Budget:
 - (i) agreed budget transfers between Service Groupings in the first quarter of 2013/14;
 - (ii) additions to budget for items outside the cash limits within any service groupings (for Cabinet approval);
 - (iii) planned use of or contribution to Earmarked Reserves within any service groupings (see Appendix 4).

	Original Budget 2013/14	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecasted Variance
	£'000	£'000	£'000	£'000
Assistant Chief Executive	11,178	11,311	11,082	-229
Children and Adults Services	291,815	290,216	280,165	-10,052
Neighbourhood Services	108,776	111,771	111,523	-248
Regeneration and Economic Development	41,801	43,381	43,294	-87
Resources	22,246	21,878	20,597	-1,281
Cash Limit Position	475,816	478,557	466,661	-11,897
Contingencies	7,852	8,251	8,251	0
Corporate Costs	80	-951	-923	28
NET COST OF SERVICES	483,748	485,857	473,989	-11,869
Capital charges	-51,723	-51,723	-51,723	0
Interest and Investment income	-1,441	-1,441	-1,700	-259
Interest payable and similar charges	35,148	34,796	32,763	-2,033
Net Expenditure	465,732	467,489	453,329	-14,161
Funded By:				
Council tax	-164,469	-164,469	-164,469	0
Council tax freeze grant	-2,033	-2,033	-2,033	0
Use of earmarked reserves	-4,399	-5,563	-5,563	0
Estimated net surplus on Collection Fund	0	0	0	0
Start up Funding Assessment	-278,370	-278,370	-278,370	0
New Homes Bonus	-4,799	-4,799	-4,799	0
New Homes Bonus - Re-imbursement	-943	-943	-943	0
Education Services Grant	-7,200	-7,236	-7,698	-462
Forecast contribution to Cash Limit Reserve	-3,519	-4,076	7,821	11,897
Forecast contribution to General Reserves	0	0	2,726	2,726
TOTAL	0	0	0	0

Note: Negative figures in the variance column represent an underspend

- 15 The sums Service Groupings have proposed as being outside the Cash Limit are detailed below:

SERVICE GROUPING	PROPOSAL	Amount
		£m
Neighbourhoods	Delayed Trust Savings	0.440
RED	Whinney Hill School – Security (Surplus Property)	0.083
Resources	Discretionary Rate Relief	-0.330
Total		0.193

- 16 After adjusting the budgets as detailed above the forecast outturn for Cash Limit Reserves and the General Reserve are summarised in the table below:

Type of Reserve	Opening Balance as at 1 April 2013 £m	Budgetted use at 1 April 2013 £m	Movement during 2013/14		2013/14 Forecast Outturn £m
			Planned contribution to (-) or use of reserve £m	Contribution to (-) or use of reserve £m	
Service Grouping Cash Limit					
Assistant Chief Executive	-1.165	0.389	0.000	-0.229	-1.005
Children and Adults Services	-9.732	2.991	0.000	-10.052	-16.793
Neighbourhoods	-2.311	0.139	0.231	-0.248	-2.189
Regeneration and Economic Development	-3.416	0.000	0.326	-0.087	-3.177
Resources	-3.280	0.000	0.000	-1.281	-4.561
TOTAL CASH LIMIT RESERVE	-19.904	3.519	0.557	-11.897	-27.725
General Reserve	-24.410	0.000	0.000	-2.726	-27.136

- 17 The forecasted increase in the level of cash limit and general reserves is a prudent position for the Council to be in ahead of further government grant reductions as outlined in the government's 2014/15 and 2015/16 grant settlement consultation released at the end of July 2013.
- 18 The reasons for the major variances are detailed by each Service Grouping below

Assistant Chief Executive (ACE)

- 19 The forecast revenue outturn for 2013/14 is a cash limit underspend of £0.229m for the year, after taking account of the forecast use of reserves, and items outside the cash limit.
- 20 The forecast underspend is a managed position, reflecting the proactive management of activity by Heads of Service across ACE to remain within the cash limit. The main reasons for the projected underspend is the net effect of the following items;
- In line with corporate policy, employees are budgeted at 97%. As a result of low vacancy levels within the service following restructures (driven by the requirement to meet MTFP savings targets) employee costs in some areas mentioned below are forecasting a small overspend of the overall employees' budget. The forecast overspend in employees is being managed within the service by adjusting planned activity elsewhere within ACE to ensure this overspend is offset.
 - Service Management - £11k overspend on employees.
 - Partnerships and Community Engagement - £53k overspend in employees budget due to low vacancy levels.
 - Planning and Performance - £0.274m underspend primarily due to proactive management of vacancies in anticipation of future year MTFP savings which accounts for £0.167m of the saving. The balance relates

to savings in supplies and services including a managed underspend in relation to resident surveys.

- Policy and Communications - £19k underspend, consisting of £17k overspend on employees which is being more than offset by close control of other areas of expenditure including savings of £36k on supplies and services and from additional income.
- Each of the 14 area action partnerships (AAP) have an 'Area' budget to contribute to local projects of £0.120m in 2013/14. Combined with revenue budgets carried forward from previous years (related to committed expenditure on agreed projects) the total revenue budget across all 14 AAP's is £2.636m. Commitments of £1.028m have been held against this budget and it is anticipated that the remaining £1.608m will be committed to investments during 2013/14. The forecast outturn assumes that £1.680m will be spent by the year end.
- In 2013/14 Members' Neighbourhood revenue budget, including sums carried forward from the previous year, totalled £3.653m. Most of this activity is now fully committed and awaiting delivery of the associated projects and initiatives. The forecast outturn assumes that £1.260m will be expended in 2013/14.

- 21 Taking the projected outturn position into account, including items proposed to be treated as outside the cash limit, the total cash limit reserve forecasted to be carried forward for ACE is £1.005m from April 2014.

Children and Adults Services (CAS)

- 22 The 2013/14 projected outturn position for Children and Adults Services (CAS) as at 30 June 2013 is a cash limit underspend of £10.052m. This represents 3.43% of the total budget for CAS. This figure takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from the MTFP Redundancy and Early Retirement reserve, capital accounting entries and use of /contributions to earmarked reserves.
- 23 The main reasons accounting for the projected outturn position are as follows:
- Early achievement of a number of future year MTFP management and support service proposals, together with the careful management and control of vacancies and general budgets across the service has created a projected net underspend for the year of approximately £3.3m;
 - Net spend on adult care packages is approximately £5.8m below budget. This represents circa 6% of the adult social care budget. This area of spend is closely monitored to assess the impact of demographic changes. Savings have arisen from consistent and effective application of the existing eligibility criteria, reducing the level of care packages subsequently commissioned, and the transformational change agenda, linked to the provision of social care, will further refine processes. The service is reviewing its approach to current savings in order to consider increasing the saving associated with consistent application of eligibility criteria. This will need to be carefully considered in light of transition cases, potential for ordinary

residence claims and the potential for increased care package costs linked to older carers and general increases in demand;

- CAS managers have reviewed plans in respect of available one-off additional funding, which has created an in-year contribution to the overall cash limit of approximately £0.4m. It is anticipated that this funding will be utilised in part to resource the work associated with the outcomes of the LGA efficiency review work linked to the transformation agenda in social care for children and adults;
- £0.525m of funds linked to the joint review of intermediate care provision in the County with NHS partners is identified to be carried forward to meet future expenditure requirements.

- 24 At this stage it has been assumed that MTFP savings targets will be achieved, or mitigated from other areas. More detailed work is on-going in relation to the home to school transport savings, which currently indicates these will be achieved.
- 25 Current forecasts indicate that the volatile areas of spend within Children's Care, including external and internal placements in respite, residential, foster care, special schools and inter agency adoption fees are within budget. The budget for Looked After Children (LAC) has overspent significantly over recent years but the Looked After Strategy to reduce the number of LAC in the system and to move children from more expensive external placements to cheaper in-house provision is expected to bring the budget in on target in 2013/14.
- 26 Taking the projected outturn position into account, the forecasted cash limit reserve to be carried forward for Children and Adults Services is £16.793m.

Neighbourhood Services

- 27 The forecast revenue outturn for 2013/14 is a cash limit underspend of £0.248m, after taking account of the forecast use of reserves, and items outside the cash limit.
- 28 Since the original budget was presented to Council, the Neighbourhoods revenue budget has been increased to take into account the appeal outcomes of the pay and reward project (£0.175m), additional funding from contingencies for flood investigations (£0.25m) and some minor transfers from Neighbourhood Services to other Service Groupings. This has resulted in a revised revenue budget of £109.724m.
- 29 The projected underspend of £0.248m is due to savings on supplies and services across the whole of Neighbourhoods.
- 30 The forecast outturn is net of an area of expenditure within Neighbourhood Services that has been treated as being outside the cash limit. This is;
- Due to the delay in the implementation of the proposed management transfer into a Culture and Leisure Trust, there is a projected overspend of £0.64m on NNDR costs, as the MTFP saving assumed that these would be saved through the introduction of the Trust. It is requested that £0.44m is treated as being outside the cash limit, while the

remaining £0.2m can be mitigated by savings within the Service Grouping. The majority of this will come from a projected underspend of £0.13m within Libraries, where some elements of the 2014/15 MTFP savings in this area have been achieved earlier than originally scheduled, resulting in this underspend.

- 31 At this stage of the year, there are four specific areas of overspend that are planned to be mitigated by the use of Neighbourhood Services' cash limit reserve. These are in respect of the delayed School Crossing Patrol savings (£47k), Customer Services alterations at Clayport Customer Access Point (£34k), and also within Technical Services, where there is a projected overspend of approximately £50k associated with the engagement of Street Lighting Metering consultants. In addition, £100k from the cash limit reserve is being used to address a backlog of drainage investigations that will help to reduce the future impact of flooding.
- 32 Taking the projected outturn position into account, including items proposed to be treated as outside the cash limit, the forecasted cash limit reserve to be carried forward for Neighbourhood Services is £2.189m

Regeneration and Economic Development (RED)

- 33 The 2013/14 forecast outturn for Regeneration and Economic Development is a cash limit underspend of £87k. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from an earmarked reserve, year-end capital accounting entries and use of / contributions to earmarked reserves.
- 34 The main reasons accounting for the outturn position are shown below:
- Strategy Programmes and Performance - £67k saving due to the freezing of two vacant posts, the secondment of a post to the Association of North East Councils and other general efficiency savings on Supplies and Services.
 - Economic Development and Housing - £53k overspend primarily due to unbudgeted apprentice costs and vacancy savings not being achieved.
 - Planning and Assets - £0.402m underspend which is broken down into a £0.564m underspend in the Planning service and a £0.162m overspend on Assets. The underspend in the Planning service primarily results from an increase in planning fee income (partly offset by lower building control income), from vacant posts and other efficiency savings on Transport, Supplies and Services, etc. Assets is experiencing income pressures mainly from Newgate Street in Bishop Auckland, the Brackenhill Centre in Peterlee and Millennium Square in Durham City where rental income is not being achieved.
 - Transport - £0.329m overspend which is primarily due to the increase in contract costs to NSL for car park management and an anticipated reduction in car parking.
- 35 Taking the projected outturn position into account, including items proposed to be treated as outside the cash limit, the forecasted cash limit reserve to be carried forward for Regeneration and Economic Development is £3.177m.

Resources

- 36 The forecast revenue outturn for 2013/14 is a cash limit underspend of £1.281m for the year, after excluding centrally administered costs, taking account of the forecast use of reserves, and items outside the cash limit.
- 37 The forecast underspend is a managed position, reflecting the proactive management of activity by Heads of Service across Resources to remain within the cash limit. The main reasons for the projected underspend are the net effect of the following items;
- Centrally Administered Costs – There is a £28k overspend as a result of a £50k under recovery of income against the Teesdale VAT shelter arrangement offset by a saving on external audit fees of £22k
 - Corporate Finance – There is a £0.205m underspend primarily due to the management of staff vacancies reflecting the early achievement of 2014/15 MTFP savings.
 - Financial Services – There is a £0.718m underspend, consisting primarily of £0.246m in respect of the management of staff vacancies reflecting the early achievement of 2014/15 MTFP savings. There is also a £0.115m managed underspend in supplies and services. A forecast underspend of £0.28m is as a result of the anticipated over recovery of court fee income in the council tax and business rates service. The careful management of the staff travel budget is resulting in a forecast saving of £77k.
 - ICT Services – The underspend of £0.186m is primarily due to proactive management of vacancies in anticipation of future year MTFP savings which accounts for £0.139m of the saving. The balance relates to savings in the transport budget as a result of the careful management of staff travel.
 - Internal Audit – A forecast underspend of £0.165m, consisting primarily of £0.152m underspend on employees through close management and control of staff vacancies and secondments in anticipation of a staffing restructure with the balance from an over recovery of income.
 - Legal and Democratic Services – an underspend of £19k on supplies and services.
 - Service Management – £12k overspend principally against employee costs due to the corporate policy of setting employees budgets at 97%.
- 38 Taking the projected outturn position into account, including items proposed to be treated as outside the cash limit, the forecasted cash limit reserve to be carried forward for Resources is £4.561m.

Central Budgets

- Interest Payable and Similar Charges - Capital Financing

- 39 During the quarter, a review of capital financing costs has led to a forecast underspend of £2.033m. This saving is being achieved due to lower than

forecast interest rates on loans and borrowing not needing to take place yet due to higher levels of cash balances than forecast.

- Interest and Investment Income

- 40 The forecast of outturn is an overachievement of income of £0.259m which is due to a higher than anticipated level of cash balances. This is due in the main to slower than expected use of reserves and capital spend.

- Education Services Grant

- 41 The forecast of outturn reflects net additional grant income of £0.462m which is due to the actual grant notification being higher than the amount budgeted for in 2013/14.

Earmarked Reserves Forecast

- 42 Appendix 4 details the forecast use of Earmarked Reserves in 2013/14. Based on the latest forecast the position at the end of the year is estimated to be as follows:

	Non-Schools	Schools and DSG	Cash Limits	TOTAL
	£m	£m	£m	£m
Opening Earmarked Balances as at 1 April 2013	-61.925	-24.041	-19.904	-105.870
Less/Plus Forecasted usage/increase of Earmarked Reserves	5.563	-0.000	-7.821	-2.258
Forecasted Earmarked Reserve Balance as at 31 March 2014	-56.362	-24.041	-27.725	-108.128

Housing Revenue Account (HRA)

- 43 In summary, the HRA shows a forecasted balanced outturn position on the revenue account after using a projected surplus of £1.549m towards the capital programme. The following table summarises the position with the detail shown in Appendix 5:

Housing Revenue Account	2013/14 Budget	2013/14 Projected Outturn	Variance
	£000	£000	£000
Income			
Dwelling Rents	-63,633	-63,597	-36
Other Income	-1,449	-1,449	0
Interest and Investment Income	-104	-104	0
Total Income	-65,186	-65,150	-36
Expenditure			
ALMO Fees	16,469	16,469	0
Repairs, Supervision and Management Costs	12,203	12,203	0
Depreciation	7,850	7,850	0
Interest Payable	12,447	10,862	1,585
Revenue Contribution to Capital Programme	16,217	17,766	-1,549
			0
Total Expenditure	36,514	36,478	36
2013/14 Surplus transferred to balances	-28,672	-28,672	0

The main variances are explained below:

- Dwelling Rents £36k reduced income – this results from an anticipated increase in “Right to Buy” sales expected to be completed in 2013/14;
- Interest Payments £1.585m underspend – this results from a lower interest rate and lower Outstanding Loan Debt than originally anticipated.

Capital

Background

- 44 The General Fund (GF) capital budget for 2013/14 was set at £159.462m and was approved by Council on 20 February 2013. Re-profiling from the 2012/13 capital programme into 2013/14, amounting to £27.94m, was reported to Cabinet on 17 July 2013.
- 45 The Housing Revenue Account (HRA) budget was set at £49.271m with re-profiling of £0.958m from 2012/13 to 2013/14.
- 46 The Capital Member Officer Working Group (MOWG) has since reviewed the capital programme and taken into account further developments and analysis

of changes and demands on resources. The recommendations following the MOWG review are included in this report.

Current Position

- 47 The following tables summarise the original budget, re-profiling and revisions reported to MOWG. The tables also show the forecast outturn for each service and actual spend as at 30 June 2013.

General Fund Capital Programme 2013/14

Service	Original Budget 13/14 £'000	Reprofiling from 12/13 to 13/14 £'000	Amendments recommended by MOWG £'000	Revised 13/14 Budget £'000	Projected Outturn £'000	Actual Spend £'000
ACE	3,959	367	-1,750	2,575	2,575	228
CAS	56,046	14,989	5,708	76,743	74,472	9,749
NEI	32,533	5,673	1,241	39,446	38,255	3,113
RED	49,318	4,996	-6,271	48,043	48,072	4,342
RES	17,605	1,916	-13,442	6,080	6,080	352
Total GF	159,462	27,940	-14,515	172,886	169,454	17,783

- 48 The table above details the adjustments approved by MOWG. The following adjustments are of note:

CAS – Wolsingham School

- 49 The Council receives an annual capital grant allocation from the Department for Education (DfE) for capital maintenance and to provide additional school places. In October 2012 MOWG agreed that £4.2m of this funding should be earmarked for investment in Wolsingham School. The objectives of the project were to bring the school onto a single site and improve the condition and organisation of the accommodation. This would address the last split site secondary school in the County.
- 50 The original plan included moving all facilities onto the upper school site. The original plan has been reviewed however with the condition of the upper school building being worse than envisaged. An alternative option has therefore been developed and approved by MOWG. The detail of the alternative option is as follows:
- (i) To redevelop the school on the lower school site. The building on the lower school site is “of significance” in planning terms and must be retained. It would have been difficult to have found an alternative use for this building.
 - (ii) To build a two storey extension on the lower school site rather than redeveloping the current upper school buildings. This will result in a higher quality end product.
 - (iii) The Physical Education facilities would be retained on the upper school site but a large element of the site could be sold with an estimated value of £1.6m.

- 51 The cost of the revised option is £6.4m. This is £2.2m higher than the original £4.2m and the difference will be financed from the £1.6m capital receipt and by pre committing £0.6m from the 2015/16 DfE capital grant.

CAS – Harelaw School

- 52 MOWG approved the funding of a £2m project to relocate Harelaw School in Annfield Plain onto the former Greenfield School site, Annfield Plain in October 2012. Harelaw being a school for children with moderate learning difficulties and autism spectrum disorders between the ages of 5-16 years. The school presently provides 98 planned places and is at full capacity.
- 53 The original proposal for the project, based on the £2m budget, was to undertake a simple relocation of Harelaw into the vacated Greencroft school/site, with limited remodelling of the existing accommodation and no increase in capacity.
- 54 Whilst the original proposal remains viable it is envisaged that demand in the future will exceed the current 98 planned places, elements of the former Greenfield School are in a poor condition and there are problems with the entrance. With this in mind an alternative option has been developed and approved by MOWG.
- 55 Externally the school would be similar to the original proposal, but relocation of the main entrance enables an improved drop off/pick up facility to be incorporated with a one way route for vehicles.
- 56 The benefits of the alternative option over the original are:-
- Sufficient accommodation is provided to increase the capacity of the school to the 135 places identified in the SEND review
 - Excess accommodation is removed, thus reducing operating costs
 - Accessibility is greatly improved internally, with the PMLD classrooms, specialist accommodation and dining on one level
 - The upper level of the east block creates a segregated space for ASD students, who are more able to negotiate the level change
 - Vehicular access and drop off/pick up arrangements are improved.
- 57 The revised scheme costs £2.735m and MOWG have approved that the additional £0.735m be funded from 2013/14 capital contingencies.

RED Reprofiling

The key adjustment for RED relates to the Villa Real Bridge Scheme (£2m) and the Accommodation Strategy (£3.021m).

Resources Reprofiling

The RES amendment is mainly re-profiling of the Broadband/Digital Durham project (£13.849m).

Housing Revenue Account Capital Programme 2013/14

Service	Original Budget 13/14 £'000	Reprofiling from 12/13 to 13/14 £'000	Amendments recommended by MOWG £'000	Revised 13/14 Budget £'000	Projected Outturn £'000	Actual Spend £'000
HRA	49,271	958	5,354	55,583	55,583	6,359
Total	49,271	958	5,354	55,583	55,583	6,359

- 58 The following tables summarise the recommended financing of the revised capital programme:

Financing – General Fund Capital Programme 2013/14

Financed by	Original Budget 13/14 £'000	Reprofiling from 12/13 to 13/14 £'000	Amendments recommended by MOWG £'000	Revised 13/14 Budget £'000
Grants and Contributions	66,497	7,120	-1,443	72,174
Revenue and Reserves	987	1,022	5,223	7,232
Capital Receipts	19,774	10	-	19,784
Borrowing	72,204	19,788	-18,295	73,697
Total	159,462	27,940	-14,515	172,886

Financing – Housing Revenue Account Capital Programme 2013/14

Financing	Original Budget 13/14 £'000	Reprofiling from 12/13 to 13/14 £'000	Amendments recommended by MOWG and additional revenue contributions £'000	Revised 13/14 Budget £'000
Grants and Contributions	19,400	-	-	19,400
Revenue and Reserves	24,069	-	1,549	25,618
Capital Receipts	426	-	-	426
Borrowing	5,376	958	3,805	10,139
Total	49,271	958	5,354	55,583

- 59 Detailed below are the commentaries from each Service Grouping:

Assistant Chief Executive (ACE)

- 60 The original ACE Capital Programme 2013/14 was £3.959m. Re-profiled budget from 2012/13 of £0.367m was agreed at the Capital Member/Officer Working Group on 14 May 2013. This resulted in a revised budget of £4.325m.
- 61 Planned and budgeted capital expenditure of £2.302m will be re-profiled into 2014/15 and £0.718m will be transferred to other services. Additional capital

budgets of £1.268m were identified in 2013/14. Budgets will be adjusted in year accordingly.

- 62 This results in a revised 2013/14 ACE Capital Programme of £2.575m. It is anticipated that the full capital budget will be spent in 2013/14. This forecast will be closely monitored and revised throughout the year.
- 63 The budget for 'Assets in the Community' stands at £0.319m and is expected to be spent by the year end. The other major capital initiative is the Members' Neighbourhoods programme with a budget of £2.187m for 2013/14 and is also anticipated to be spent by the year end. A small element of the Community Facilities Crook scheme will be spent this financial year amounting to £68k, and the remainder of the budget for this scheme of £0.501m has been profiled for spend in 2014/15 onwards.

Children and Adults Services (CAS)

- 64 The Original CAS Capital Programme 2013/14 was £56.046m. Re-profiled budget from 2012/13 of £14.989m was agreed at the Capital Member/Officer Working Group on 14 May 2013. This resulted in a revised budget of £71.035m.
- 65 Planned and budgeted capital expenditure of £15.445m will be re-profiled into 2014/15 and additional capital budgets of £21.153m were identified in 2013/14. Budgets will be adjusted in year accordingly.
- 66 This results in a revised 2013/14 CAS Capital Programme of £76.743m. It is anticipated that the full capital budget will be spent in 2013/14. This forecast will be closely monitored and revised throughout the year.

Neighbourhood Services (NEI)

- 67 The original NEI Capital Programme 2013/14 was £32.533m. Re-profiled budget from 2012/13 of £5.673m was agreed at the Capital Member/Officer Working Group on 14 May 2013. This resulted in a revised budget of £38.206m.
- 68 Additional capital budgets of £1.241m were identified in 2013/14 and budgets will be adjusted in year accordingly.
- 69 This results in a revised 2013/14 NEI Capital Programme of £39.446m. It is anticipated that the £38.255m will be spent in 2013/14. This forecast will be closely monitored and revised throughout the year.
- 70 The main reasons for these variances are as follows;
- Seaham North Pier - £1.7m underspend -The scheme is still currently in the process of design. The latest risk assessment suggests there is no immediate threat of structural damage; however it is still a high risk project which must be completed. As a result this scheme is anticipated to slip into next financial year.
 - Street Lighting Invest to Save - £0.504m overspend-This is a six year scheme which is projecting an overspend in the first year of construction. Budgets in subsequent years will be re-profiled

accordingly. This is a result of an increased projection into the number of units which will be installed during 2013/14. This will result in earlier realisation of anticipated revenue savings related to energy costs.

Regeneration and Economic Development (RED)

- 71 The original RED Capital Programme 2013/14 was £49.318m. Re-profiled budget from 2012/13 of £4.996m was agreed at the Capital Member/Officer Working Group on 14 May 2013. This resulted in a revised budget of £54.314m.
- 72 Planned and budgeted capital expenditure of £14.574m will be re-profiled into future years and additional capital budgets of £8.303m were identified in 2013/14. Budgets will be adjusted in year accordingly.
- 73 This results in a revised 2013/14 RED Capital Programme of £48.043m. It is anticipated that the full capital budget will be spent in 2013/14. This forecast will be closely monitored and revised throughout the year.

Resources (RES)

- 74 The original Resources Capital Programme 2013/14 was £17.605m. Re-profiled budget from 2012/13 of £1.916m was agreed at the Capital Member/Officer Working Group on 14 May 2013. This resulted in a revised budget of £19.522m.
- 75 An overspend of £76k in 2012/13 was financed from the 2013/14 capital programme. Planned and budgeted capital expenditure of £19.902m will be re-profiled into 2014/15. Additional capital budgets of £6.46m have been identified in 2013/14. Budgets will be adjusted in year accordingly.
- 76 This results in a revised 2013/14 Resources Capital Programme of £6.08m. It is anticipated that the full capital budget will be spent in 2013/14. This forecast will be closely monitored and revised throughout the year.
- 77 The majority of the budget is in respect of ICT capital schemes which currently stands at £5.78m and is expected to be spent by the year end. The other major capital initiative in Resources is in Finance for the development of Oracle with a budget of £0.3m for 2013/14 and is also anticipated to be spent by the year end.

Housing Revenue Account (HRA)

- 78 The 2013/14 HRA Capital Programme, as agreed by Council on 20 February 2013, was £49.271m and this was subsequently increased by £6.312m, reflecting re-profiling from 2012/13 and amendments agreed by MOWG, giving a total revised budget of £55.583m.
- 79 The HRA programme is being significantly supported with £19m of Homes and Communities Agency Decent Homes Backlog Grant funding. In the first three months of the financial year a total of 864 properties have been brought up to the Decent Homes standard.

- 80 For the whole HRA capital programme actual spend for the first quarter amounts to £6.359m and it is anticipated that the projected outturn at 31 March 2014 will be in line with the revised budget.

Recommendations

- 81 It is recommended that Cabinet:

- Note the revised MTFP 4 position and agree to the methods of responding to the Government's proposed Finance Settlement Consultation for 2014/15 and 2015/16.
- Note the projected change in the Council's overall financial position for 2013/14.
- Agree the proposed 'sums outside the cash limit' for approval.
- Agree the revenue and capital budget adjustments.
- Note the forecast use of Earmarked Reserves.
- Note the forecast end of year position for the Cash Limit underspend reserves.
- Note the position for the Housing Revenue Account.
- Note the position for the Capital Programme.

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Appendix 1: Implications

Finance -

The report details the 2013/14 forecast of outturn position for Revenue and details the forecast movement on Reserves. It also provides an update on the current MTFP 4 position and the implications of the Local Government Finance Settlement consultation document.

Staffing -

None

Risk -

None

Equality and Diversity / Public Sector Equality Duty -

None

Accommodation -

None

Crime and Disorder -

None

Human Rights -

None

Consultation -

None

Procurement -

None

Disability Issues -

None

Legal Implications

None

Appendix 2: Revenue Summary 2013/14

	Original Budget 2013/14	Revised Budget	Proposed Budget Revisions	Cash Limit Reserve	Contribution to / Use of Earmarked Reserves	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecasted Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assistant Chief Executive	11,178	11,178	58	0	75	11,311	11,082	-229
Children and Adults Services	291,815	291,815	1,194	0	-2,793	290,216	280,165	-10,052
Neighbourhood Services	108,776	108,776	1,388	231	1,376	111,771	111,523	-248
Regeneration and Economic Development	41,801	41,801	8	326	1,246	43,381	43,294	-87
Resources	22,246	22,246	-203	0	-165	21,878	20,597	-1,281
Cash Limit Position	475,816	475,816	2,445	557	-261	478,557	466,661	-11,897
Contingencies	7,852	7,852	399	0	0	8,251	8,251	0
Corporate Costs	80	80	0	0	-1,031	-951	-923	28
NET COST OF SERVICES	483,748	483,748	2,844	557	-1,292	485,857	473,989	-11,869
Capital charges	-51,723	-51,723				-51,723	-51,723	0
Interest and Investment income	-1,441	-1,441				-1,441	-1,700	-259
Interest payable and similar charges	35,148	35,148	-352			34,796	32,763	-2,033
Net Expenditure	465,732	465,732	2,492	557	-1,292	467,489	453,329	-14,161
Funded By:								
Council tax	-164,469	-164,469				-164,469	-164,469	0
Council tax freeze grant	-2,033	-2,033				-2,033	-2,033	0
Use of earmarked reserves	-4,399	-4,399	-2,456		1,292	-5,563	-5,563	0
Estimated net surplus on Collection Fund	0	0				0	0	0
Start up Funding Assessment	-278,370	-278,370				-278,370	-278,370	0
New Homes Bonus	-4,799	-4,799				-4,799	-4,799	0
New Homes Bonus - Re-imbursement	-943	-943				-943	-943	0
Education Services Grant	-7,200	-7,200	-36			-7,236	-7,698	-462
Forecast contribution to Cash Limit Reserve	-3,519	-3,519		-557		-4,076	7,821	11,897
Forecast contribution to General Reserves	0	0				0	2,726	2,726
TOTAL	0	0	0	0	-0	0	0	0

Appendix 3: Revenue Summary by Expenditure / Income for the period ended 31 March 2014

	Original Budget 2013/14	Agreed Budget	Service Groupings Forecast of Outturn	Corporate Costs	Sums Outside the Cash Limit	Cash Limit Reserve	Contribution to / Use of Earmarked Reserves	Revised Service Outturn	Forecasted Variance (including Corporate Costs)	Forecasted Variance - Corporate Costs
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees	474,689	508,101	507,082	0	0	-124	-678	506,280	-1,821	0
Premises	49,325	50,581	51,297	0	-440	-34	0	50,823	242	0
Transport	50,097	50,037	49,143	0	0	0	0	49,143	-895	0
Supplies & Services	113,512	118,114	121,676	1,803	-83	-180	-1,203	122,013	3,899	-22
Agency & Contracted	269,898	275,269	266,872	4,380	0	-162	2,286	273,376	-1,893	0
Transfer Payments	210,685	209,248	209,405	0	330	0	0	209,735	487	0
Central Costs	101,308	106,708	107,050	0	0	0	-13	107,037	328	0
Other	1,265	2,138	2,192	0	0	0	0	2,192	54	0
Capital Charges	51,723	51,723	51,723	0	0	0	0	51,723	0	0
GROSS EXPENDITURE	1,322,502	1,371,919	1,366,439	6,183	-193	-500	392	1,372,321	402	-22
Income										
- Specific Grants	528,182	564,087	563,972	3,037	0	0	-1,052	565,957	-1,870	0
- Other Grants & conts	25,319	25,651	25,860	0	0	57	82	25,999	-347	0
- Sales	6,720	4,914	4,915	0	0	0	0	4,915	-0	0
- Fees & charges	108,122	103,975	104,570	0	0	0	70	104,640	-665	0
- Recharges	169,661	183,734	189,202	3,969	0	0	0	193,171	-9,437	0
- Other	8,602	11,408	11,260	100	0	0	0	11,360	48	50
Total Income	846,606	893,770	899,779	7,106	0	57	-900	906,042	-12,271	50
NET EXPENDITURE	475,896	478,148	466,661	-923	-193	-557	1,292	466,280	-11,869	28

Appendix 4: Earmarked Reserves Position as at 30 June 2013

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	2012/13 CLOSING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	2013/14 CLOSING BALANCE
		£,000	£,000	£,000	£,000	£,000	£,000
ACE AAP/Members Reserve	ACE	-1,854	0	0	0	0	-1,854
ACE Grant Reserve	ACE	-233	0	0	0	0	-233
ACE Operational Reserve	ACE	-140	0	0	0	0	-140
Social Care Reserve	CAS	-4,053	1,671	0	0	1,671	-2,382
Health and Wellbeing Reserve	CAS	-500	500	0	0	500	0
Community Safety Reserve	CAS	-22	22	0	0	22	0
Aycliffe Young People's Centre Reserve	CAS	-428	0	0	0	0	-428
Continuing Professional Development Reserve	CAS	-469	0	0	0	0	-469
Education Reserve	CAS	-383	0	0	0	0	-383
Tackling Troubled Families	CAS	-942	0	0	0	0	-942
Special Projects Reserve	CAS	-60	0	0	0	0	-60
Neighbourhoods AAP Reserve	NS	-66	0	0	0	0	-66
Customer Services Reserve	NS	-110	50	0	0	50	-60
Direct Services Reserve	NS	-2,594	179	0	0	179	-2,415
Env. Health and Consumer Protection Reserve	NS	-430	92	0	0	92	-338
Culture and Sport Reserve	NS	-2,291	640	0	0	640	-1,651
Strategic Waste Reserve	NS	-376	376	0	0	376	0
Technical Services Reserve	NS	-445	0	0	0	0	-445
Transport Asset Management Programme Reserve	NS	-318	0	0	0	0	-318
Economic Development Reserve	RED	-1,018	102	0	0	102	-916
Planning Reserve	RED	-1,688	435	0	0	435	-1,253
North Pennines AONB Partnership Reserve	RED	-919	0	0	0	0	-919
Employability and Training Reserve	RED	-846	164	0	0	164	-682
RED Regeneration Reserve	RED	-1,051	0	0	0	0	-1,051
Housing Regeneration Reserve	RED	-77	16	0	0	16	-61
Housing Solutions Reserve	RED	-987	324	0	0	324	-663
Restructure Reserve	RED	-729	0	0	0	0	-729
LSVT Reserve	RED	-111	0	0	0	0	-111
Transport Reserve	RED	-364	0	0	0	0	-364
Funding and Programmes Management Reserve	RED	-175	45	0	0	45	-130
Resources Corporate Reserve	Resources	-1,843	0	0	0	0	-1,843
Resources DWP Grant Reserve	Resources	-107	0	-177	0	-177	-284
Resources System Development Reserve	Resources	-850	500	0	0	500	-350
Resources Housing Benefit Subsidy Reserve	Resources	-2,579	0	0	0	0	-2,579
Local Council Tax Support Scheme Reserve	Resources	0	0	-1,031	0	-1,031	-1,031
Resources Land Search Fees Reserve	Resources	-1,000	0	0	0	0	-1,000
Resources Legal Expenses	Resources	-200	0	0	0	0	-200
Resources Elections Reserve	Resources	-800	650	-700	0	-50	-850
Resources ICT Reserves	Resources	-480	0	0	0	0	-480
Cabinet Reserve	Corporate Fin	-220	0	0	0	0	-220
Corporate Reserve - Demographic Pressures	Corporate Fin	-8,650	2,150	0	0	2,150	-6,500
Equal Pay Reserve	Corporate Fin	-7,111	1,203	-1,200	0	3	-7,108
Insurance Reserve	Corporate Fin	-7,832	0	-1,162	0	-1,162	-8,994
Performance Reward Grant Reserve	Corporate Fin	-1,735	134	0	0	134	-1,601
MTFP Redundancy and Early Retirement Reserve	Corporate Fin	-4,839	580	0	0	580	-4,259
Total Non-Schools Reserve		-61,925	9,833	-4,270	0	5,563	-56,362
Schools' Balances							
Schools' Revenue Balance	CAS	-19,418	0	0	0	0	-19,418
DSG Reserve	CAS	-4,623	0	0	0	0	-4,623
Total Schools and DSG Reserve		-24,041	0	0	0	0	-24,041
Cash Limit Reserves							
Assistant Chief Executive		-1,165	389	-229	0	160	-1,005
Children and Adults Services		-9,732	2,991	-10,052	0	-7,061	-16,793
Neighbourhood Services		-2,311	370	-248	0	122	-2,189
Regeneration and Economic Dev		-3,416	326	-87	0	239	-3,177
Resources		-3,280	0	-1,281	0	-1,281	-4,561
Total Cash Limit Reserves		-19,904	4,076	-11,897	0	-7,821	-27,725
Total Earmarked Reserves		-105,870	13,909	-16,167	0	-2,258	-108,128

Appendix 5: Forecasted Housing Revenue Account to 31 March 2014

	Annual Budget	Projected Outturn	Forecasted Variance
	£000	£000	£000
Income			
Dwelling Rents	-63,633	-63,597	-36
Non Dwelling Rents			
- Garages [net of voids]	-954	-954	0
- Shops/Other	-121	-121	0
Charges for Services & Facilities	-374	-374	0
Contributions towards Expenditure			0
Total Income	-65,082	-65,046	-36
Expenditure			
ALMO Management Fee + Outsourced Contract	16,469	16,469	0
Repairs & Maintenance	4,353	4,353	0
Supervision & Management - General	4,400	4,400	0
Supervision & Management - Special	491	491	0
Rents, Rates, Taxes & other Charges	310	310	0
Depreciation & Impairment of fixed assets	7,850	7,850	0
Increase/Decrease in bad debt provision	968	968	0
Debt Management Costs	194	194	0
Total Expenditure	35,035	35,035	0
Net cost of HRA services per Authority I&E Account	-30,047	-30,011	-36
HRA services share of Corporate & Democratic Core	1,085	1,085	0
Net Cost of services but not allocated to specific services	402	402	0
Net cost of HRA Services	-28,560	-28,524	-36
Interest Payable & Similar Charges	12,447	10,862	1,585
Direct Revenue Financing [Balancing Item on HRA]	16,217	17,766	-1,549
Interest & Investment Income	-104	-104	0
[Surplus] / Deficit for the year on HRA services	0	0	0