

Cabinet

16 March 2016



Forecast of Revenue and Capital Outturn 2015/16 for General Fund and Housing Revenue Account – Period to 31 December 2015

**Report of Corporate Management Team
Don McLure, Corporate Director Resources
Councillor Alan Napier, Portfolio Holder for Finance**

Purpose of the Report

- 1 To provide Cabinet with an updated forecast of 2015/16 revenue and capital outturn, based on the period to 31 December 2015 for the Council's General Fund and Housing Revenue Account. The report also includes the updated forecasts for the Council Tax Collection Fund and Business Rates Collection Fund.

Background

- 2 This report updates the position presented to Cabinet on 18 November 2015 that showed the forecasted revenue and capital outturn based on expenditure and income up to 30 September 2015 and incorporates the recommended changes to cash limits within Service Groupings agreed at that time, providing updates to these forecasts and revised forecast balances on general and earmarked reserves at 31 March 2016.

Revenue – Current Position to 31 December 2015

- 3 The table overleaf compares the forecast with the revised budgets and is shown in more detail in Appendices 2 and 3.
- 4 The following adjustments have been made to the Original Budget that was agreed by Full Council in February 2015:
 - (i) agreed budget transfers between Service Groupings;
 - (ii) additions to budget for items outside the cash limit (for Cabinet consideration and recommended approval);
 - (iii) planned use of or contribution to Earmarked Reserves (please refer to Appendix 4).

Forecast of General Fund Revenue Outturn 2015/16

	Original Budget 2015/16	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecasted Variance
	£'000	£'000	£'000	£'000
Assistant Chief Executive	10,163	9,730	9,508	-222
Children and Adults Services	251,450	258,307	247,942	-10,365
Neighbourhood Services	104,236	107,819	106,529	-1,290
Regeneration and Economic Development	41,535	27,388	25,867	-1,521
Resources	15,855	17,847	16,405	-1,442
Cash Limit Position	423,239	421,091	406,251	-14,840
Contingencies	5,690	1,434	1,434	0
Corporate Costs	4,980	4,031	3,849	-182
NET COST OF SERVICES	433,909	426,556	411,534	-15,022
Capital charges	-48,977	-48,977	-48,977	0
Interest and Investment income	-1,641	-3,168	-4,153	-985
Interest payable and similar charges	38,530	45,877	45,619	-258
Levies	0	16,555	16,555	0
Net Expenditure	421,821	436,843	420,578	-16,265
Funded By:				
Council tax	-174,134	-174,134	-174,134	0
Use of earmarked reserves	-11,511	10,897	10,897	0
Estimated net surplus on Collection Fund	-500	-500	-500	0
Start up Funding Assessment	-215,540	-215,540	-215,540	0
New Homes Bonus	-8,322	-8,322	-8,323	-1
New Homes Bonus - Re-imbursement	-377	-377	-377	0
Section 31 Grant - Small business rate relief	-2,398	-2,398	-2,439	-41
Section 31 Grant - Settlement Funding Assessment Adj	-919	-919	-1,052	-133
Section 31 Grant - Retail Adjustment	-1,681	-1,681	-1,634	47
Education Services Grant	-6,002	-6,002	-5,974	28
Forecast contribution to/from(-) Cash Limit Reserve	-437	-14,867	-27	14,840
Forecast contribution to General Reserves	0	0	1,525	1,525
Forecast contribution from HRA Reserve	0	-23,000	-23,000	0
TOTAL	0	0	0	0

Note: Negative figures in the variance column represent an underspend or overachievement of income

Note: the Regeneration and Economic Development (RED) budget has changed as a result of moving the North East Combined Authority (NECA) levy for 2015/16 of £16.176 million from the Net Cost of Services to reflect the correct accounting treatment. Other minor levies were also moved from the Resources budget.

- 5 The updated position in terms of sums provisionally agreed with Service Groupings as being outside the Cash Limit is shown in the table below:

SERVICE GROUPING	PROPOSAL	Amount
		£million
All Services	Car Mileage	0.240
ACE	North East devolution poll	0.230
Children and Adults Services (CAS)	Premises related costs for former school buildings	0.138
Neighbourhoods	Climate Change Levy	0.200
Neighbourhoods	Additional Flooding Costs (Revenue)	0.400
RED	Whinney Hill School – Security (Surplus Property)	0.048
RED	Concessionary fares	0.130
ACE, CAS, Resources	HMRC assessment of VAT on supply of staff to outside bodies	0.080
Total		1.466

- 6 New costs have been included for the North East devolution poll, additional flooding costs, concessionary fares and an HMRC assessment of VAT that should have been charged on the supply of staff to outside bodies. Additional costs are included for premises related costs for former school buildings and for security at the former Whinney Hill School.
- 7 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 2015	Budgeted use at 1 April 2015	Movement during 2015/16		2015/16 Forecast of Outturn
			Planned contribution use of reserve	Contribution to (-) reserve	
	£m	£m	£m	£m	£m
Service Grouping Cash Limit					
Assistant Chief Executive	-0.773	0.000	0.755	-0.222	-0.240
Children and Adults Services	-9.443	0.249	6.350	-10.365	-13.209
Neighbourhoods	-5.076	0.080	3.022	-1.290	-3.264
Regeneration and Econ Development	-3.216	0.000	1.287	-1.521	-3.450
Resources	-3.857	0.108	3.016	-1.442	-2.175
TOTAL CASH LIMIT RESERVE	-22.365	0.437	14.430	-14.840	-22.338
General Reserve	-28.897	0.000	0.000	-1.525	-30.422

- 8 The forecasted Cash Limit and General Reserves position is a prudent one given the forecasted levels of savings the Council needs to make of £104.4 million over 2016/17 to 2019/20, as the delivery of such is becoming more and more difficult to achieve.
- 9 The reasons for the major variances against the revised budgets are detailed by each Service Grouping below.

Assistant Chief Executive (ACE)

- 10 The forecast revenue outturn for 2015/16 is a cash limit underspend of £0.222 million for the year after taking account of the forecast use of reserves and items outside the cash limit. This represents a small variation on the Quarter 2 forecast of £0.237 million underspend.
- 11 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;
 - Partnerships and Community Engagement - £29,000 underspend, primarily due to a managed underspend on supplies and services related costs within the Area Action Partnerships (AAPs).
 - Planning and Performance – £29,000 managed underspend on employee related costs due to the management of vacancies and reduced hours.
 - Policy and Communications - £0.164 million underspend, predominantly resulting from a £87,000 managed underspend on employee related costs across the service together with a £77,000 underspend on the supplies and services budget through tight control of expenditure in this area.
- 12 In arriving at the forecast cash limit outturn position £0.208 million relating to contributions to and from earmarked and cash limit reserves and sums outside the cash limit have been excluded from the outturn.
- 13 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 £0.240 million from April 2016.

Children and Adults Services

- 14 The 2015/16 projected outturn position for Children and Adults Services (CAS), based on the position to 31 December 2015, is a cash limit underspend of £10.365 million. This represents circa 4.0% of the total budget for CAS and compares to a previously forecast outturn position at Quarter 2 of a £7.181 million cash limit underspend.
- 15 The projected outturn takes into account adjustments for sums outside the cash limit including redundancy costs which are met from the corporate

reserves, capital accounting entries and use of / contributions to earmarked reserves.

- 16 There are additional premises related costs in Quarter 3 of circa £47,000 relating to the former Durham Free School, Pelton Roseberry, Stanley School of Technology and Greencroft which have been treated as outside the cash limit. In total there is now projected to be £138,000 of unbudgeted former schools building costs in 2015/16.
- 17 The updated forecast underspend is a managed position, reflecting the proactive management of activity by Heads of Service across CAS to remain within the cash limit. The forecast underspend is accounted for by the net effect of the following items:
- Early achievement of a number of proposed future MTFP savings from management and support service proposals across the Adult Care and related areas, together with the careful management and control of vacant posts and supplies and services budgets across the service has created a projected net underspend for the year of circa £6.1 million;
 - Net spend on adult care packages is forecast to be circa £3.2 million below budget, which represents circa 3% of the relevant adult social care budget. This area of spend is being closely monitored to assess the impact of demographic and procedural/operational changes. Ongoing savings have arisen from the consistent and effective application of the existing eligibility criteria. MTFP savings proposals are already in place to reflect the net reduction in expenditure on packages of care.
 - A review of short term funds across adult care produced an additional circa £3.0 million of monies available to support future pressures. £1.1 million of this one-off sum is to be carried forward to future years for specific projects, with the balance contributing to the CAS cash limit reserve in 2015/16.
 - Children's Services are forecasting a net overspend of £0.870 million. This is primarily related to additional staffing costs incurred to provide required cover for absences/vacancies required to maintain service provision during a significant restructure of the service combined with higher than budgeted costs associated with looked after children. These pressures have been partially mitigated by additional income within the One Point Service, combined with reduced premises and supplies and services costs. The implementation of the new structure from 1 March 2016, the continued positive impact of the Looked After Children Reduction Strategy and realignment of budgets within the service are anticipated to address these issues in the base budget for 2016/17.
 - The Education Service is currently forecasting a net underspend of £43,000. An underspend of £0.988 million in relation to staff vacancies, reduction in pension liabilities and additional Service Level contract income is offset by a projected overspend on Home to School Transport of £0.945 million which is principally due to an increase in pupils with Special Educational Need and Disabilities [SEND]

(£0.643 million), that often require individual transport arrangements, and an increase in contract prices. The Home to School Transport pressure in 2015/16 is currently forecast to continue and increase in 2016/17 and funding has been reallocated to this area of the budget to enable a balanced budget to be set in 2016/17 whilst a full review of commissioning of SEND travel is undertaken. An additional liability re the tribunal legal case has also now been finalised resulting in an additional £63,000 being required, which is to be funded from the CAS Cash Limit.

- 18 Taking the projected outturn position into account, including the transfer to/from Reserves in year, the estimated cash limit reserve to be carried forward for Children and Adults Services is forecast to be £13.209 million – a forecasted increase of £3.766 million for 2015/16.

Neighbourhood Services

- 19 The forecast revenue outturn for 2015/16 is a cash limit underspend of £1.290 million, after taking account of the forecast use of reserves and items outside the cash limit. This previous forecast outturn was a £1.411 million cash limit underspend in 2015/16.
- 20 The forecast underspend is a managed position, reflecting the proactive management of activity by Heads of Service across Neighbourhoods to remain within their cash limit. The main reasons accounting for the outturn position are shown below:
 - Within Direct Services, there is an overachievement in the surplus generated by Building Services of approximately £0.900 million due to the level of turnover being significantly higher than originally anticipated. A review of the 'charge out' rates is currently underway which will involve increasing the income budget to a more realistic level for 2016/17, and this should result in the surplus being closer to the budgeted level next year. In addition, there is £0.810 million of 2016/17 MTFP savings that have been achieved early in 2015/16, and also £0.540 million of savings relating to premises costs of Administration Buildings that are closing as part of the office accommodation programme.
 - Technical Services is showing a break-even position. This is due to additional income within Design Services (£0.400 million) and Strategic Highways (£0.160 million) which is being offset by a net overspend of approximately £0.560 million within Highways Services, where the additional surplus on the trading account areas have offset additional policy led expenditure on highways maintenance in relation to Category 1 and 2 defects. The outturn also takes account of £0.800 million of flooding repair costs which is to be funded from Neighbourhood services cash limit (£0.400 million) and Revenue Contingency Budget (£0.400 million) .
 - Environment, Health and Consumer Protection is projected to underspend by £0.237 million, largely attributable to underspends on employees, supplies and services and transport in Health Protection, Consumer Protection and Environmental Protection.

- Within Culture & Sport, there are overspends on facilities premises costs (£0.200 million), and additional development expenditure that is earmarked for the Gala and Durham Town Hall (£0.300 million), but these are offset by savings in Leisure Contracts with 3rd party providers (£0.300 million)
 - Within Strategic Waste there have been significant increases in the Materials Recycling Facility (MRF) costs within the Strategic Waste Service (£1.200 million) which are as a result of a national reduction in the market value of recycled materials and therefore outside the control of the Council, These overspends are being offset by savings on the waste disposal contract budgets (£0.700 million) and underspends on employee and supplies and services (£0.400 million) across all other areas of Projects & Business Services. In addition an amount of £1 million has been transferred to the Capital Expenditure Earmarked Reserve in relation to additional costs of the capital scheme for Thornley Waste Transfer Station.
- 21 In arriving at the forecast of outturn position, £1.440 million relating to contributions to and from earmarked and cash limit reserves and sums outside the cash limit have been excluded from the outturn.
- 22 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 £3.264 million.

Regeneration and Economic Development (RED)

- 23 The forecast revenue outturn for Regeneration and Economic Development is a cash limit underspend of £1.521 million. 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. The previous forecast indicated a cash limit underspend of £0.632 million in year.
- 24 The forecast underspend is a managed position. The Heads of Service across RED continue to proactively manage activity to remain within the cash limit. The main reasons accounting for the outturn position are shown below:
- Strategy Programmes and Performance - £85,000 managed saving on employee related costs due to vacancies, maternity leave and staff working reduced hours.
 - Economic Development and Housing - £0.612 million underspend, primarily due to managed savings on employee related costs as a result of restructuring, increased income for GRT sites and residual income from the FamilyWise project.
 - Planning and Assets - £0.178 million underspend, which is broken down into a £0.591 million underspend in the Planning Service and a £0.412 million overspend on Assets. The underspend in the Planning Service primarily results from an increase in planning fee income. Assets is continuing to experience income pressures, mainly from

Newgate Street in Bishop Auckland, the Brackenhill Centre in Peterlee, the Millennium Square in Durham City and the Beveridge Arcades where rental income is not being achieved. Positive action is being taken to encourage and incentivise as many new businesses as possible.

- Transport - £0.648 million underspend, primarily resulting from reduced payments on the Bus and Rail contracts and a planned underspend in Supported Housing
- 25 In arriving at the forecast outturn position some £0.620 million relating to contributions to and from earmarked and cash limit reserves and sums outside the cash limit has been excluded from the outturn.
- 26 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 £3.450 million.

Resources

- 27 The forecast revenue outturn for 2015/16 is a cash limit underspend of £1.442 million for the year after taking account of the forecast use of reserves and items outside the cash limit. This compares with a forecast underspend of £0.990 million at Quarter 2.
- 28 The forecast underspend is a managed position. The Heads of Service across Resources continue to proactively manage activity to remain within the cash limit. The projected underbudget position is the net effect of the following items:
- Corporate Finance is forecast to be underbudget by £0.112 million. £0.101 million of this relates to a managed underbudget in pay, with £28,000 from over recovery of income which is partially offset by £17,000 managed overbudget for supplies and services.
 - Financial Services is forecast to be underbudget by £0.252 million, consisting of a managed underbudget against employees (£0.188 million), staff travel costs (£0.120 million) and a forecast over recovery of income (£0.275 million), offset by managed overbudgets on work packages (£64,000) and supplies and services (£0.267 million).
 - Human Resources is forecast to be underbudget by £17,000 through minor variances for overachieved income and supplies and services.
 - ICT Services is forecasting an underbudget position of £0.319 million, through underbudgets on employees (£59,000), transport (£0.140 million) and supplies and services (£0.220 million) offset by overbudgets for Digital Durham (£0.100 million).
 - Internal Audit & Risk is forecast to be underbudget by £0.143 million resulting from a £76,000 underbudget on employees and a £56,000 over recovery of income plus other minor variances.

- Legal and Democratic Services is forecast to underspend by £0.502 million, arising from a £0.291 million underbudget on employees, following the implementation of a restructure to achieve MTFP savings, together with underbudgets for supplies and services (£0.130 million), premises (£21,000), transport (£25,000) and an over recovery of income (£35,000).
 - Service Management is forecasting a £97,000 underbudget position arising from SLA income from Northumberland and NECA for HR support.
 - Housing Benefits is forecasting a balanced budget position.
- 29 There is also a £0.183 million underbudget against Centrally Administered Costs, comprising expenses associated with raising loans (£41,000), Audit Fees (£94,000), subscriptions (£18,000), over recovery of credit card income (£15,000) and other miscellaneous headings (£15,000).
- 30 In arriving at the forecast outturn position any net contributions to and from reserves and cash limits have been excluded from the outturn for both Resources (£0.121 million net contribution to reserves) and Centrally Administered Costs (£60,000 net contribution to reserves).
- 31 Taking the projected outturn position into account, including items proposed to be treated as outside the cash limit, the forecast cash limit reserve to be carried forward for Resources is £2.175 million.

Central Budgets

- Interest Payable and Similar Charges - Capital Financing

- 32 Following a review of capital financing costs, linked to re-profiling within the capital programmes earlier in the year, there is a forecast underspend of £0.258 million. 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

- 33 The forecast of outturn at this stage is an overachievement of income of £0.985 million which is due to a higher than anticipated level of cash balances. This is due in the main to capital expenditure being below base budget levels and generally higher than forecast cash balances.

Council Earmarked Reserves Forecast

- 34 The table at Appendix 4 sets out the earmarked reserves that the Council has plus two earmarked reserves for schools, where funding has been set aside in anticipation of future expenditure and shows the forecasted balance on these reserves by 31 March 2016.

- 35 A summary of the latest forecast of Council reserves by 31 March 2016 is shown below:

	Earmarked	Cash Limit	TOTAL
	£million	£million	£million
Opening Earmarked Balances as at 1 April 2015	-157.571	-22.365	-179.936
Plus forecasted increase of Earmarked Reserves	-17.793	0.027	-17.766
Forecasted Earmarked Reserve Balance as at 31 March 2016	-175.364	-22.338	-197.702

Schools

- 36 The current schools forecasts are summarised below:

Schools forecasting a surplus above 2.5% of funding						
	Nursery	PRU	Primary	Secondary	Special	Total
Number	12	-	186	8	9	215
Forecast	(£0.603m)	-	(£16.500m)	(£1.629m)	(£1.886m)	(£20.618m)
Schools forecasting a surplus of less than 2.5% of funding						
	Nursery	PRU	Primary	Secondary	Special	Total
Number	-	-	17	4	-	21
Forecast	-	-	(£0.204m)	(£0.206m)	-	(£0.410m)
Schools forecasting a deficit						
	Nursery	PRU	Primary	Secondary	Special	Total
Number	-	1	5	4	-	10
Forecast	-	£0.457m	£0.087m	£2.922m	-	£3.466m
Total						
	Nursery	PRU	Primary	Secondary	Special	Total
Number	12	1	208	16	9	246
Forecast	(£0.603m)	£0.457m	(£16.617m)	£1.087m	(£1.886m)	(£17.562m)

- 37 The overall change from Quarter 2 to Quarter 3 is a £0.289 million increase in the forecast net balances held by schools at 31 March 2016, when the retained balances were forecast to be £17.273 million.
- 38 The number of schools forecasting a deficit at the end of 2015/16 has increased by three, being two primary schools and one secondary school.

- 39 The financial position of schools was reviewed during the autumn budget reviews ahead of budget-setting for 2016/17. Where appropriate schools have initiated staffing reduction processes in order to be able to balance their budgets for next year.
- 40 Some schools will be facing significant financial pressures next year, including the effects of changes to employers' contributions for National Insurance and pensions. It is likely that there will be a significant drawdown on school surpluses next year, in order to balance budgets, which will create a greater challenge for 2017/18.
- 41 The Schools will also be affected by planned changes to formula funding; subject to Council approval and any changes to statutory regulation, the primary lump sum will reduce from £0.175 million to £0.168 million in 2016/17 and then to £0.160 million in 2017/18. A planned transfer of £1.5 million from primary and secondary school funding to SEN provision in 2016/17 has been deferred and may need to be implemented in 2017/18.
- 42 Officers from CAS and Finance have met to discuss our approach to identifying schools causing concern, and how we address their issues in a strategic way. Consultation with the Schools Forum and schools about the reduction in the primary lump sum has highlighted the number of small schools in the County and the cost to formula funding in respect of the lump sum, which is paid to every school, regardless of size. The Council and schools will work more closely together to look at ways of re-organising schools to reduce the number of small schools and thus release more money for pupil-led funding.

Housing Revenue Account (HRA)

- 43 On 13 April 2015, the Council transferred its housing stock of 18,500 dwellings to the County Durham Housing Group Ltd. Consent was received from the Secretary of State to close down the HRA any time from 30 April 2015 onwards as the Council is no longer a social housing landlord and not required to maintain a ring-fenced HRA.
- 44 There were some residual transactions still taking place reflecting the relatively short period of activity in 2015/16 and also costs associated with delivering stock transfer in April which have been met from available income and reserves. All transactions are now complete and the HRA will be formally closed as part of the 2015/16 final accounts process.

Capital

Background

- 45 The General Fund (GF) capital budget for 2015/16 was set at £148.480 million by Council on 25 February 2015. Reprofitting from the 2014/15 capital programme outturn into 2015/16, amounting to £18.736 million was approved by Cabinet on 15 July 2015 and was included in the Quarter 1 Forecast of Revenue and Capital Outturn Report to Cabinet on 16 September 2015.
- 46 The Council's Member Officer Working Group (MOWG) that closely monitors the capital programme has since recommended approval to Cabinet of further

revisions to the capital programme, taking into account additional resources received by the authority and further requests for reprofiling as Service Management Teams continue to monitor and review their capital schemes.

Current Position

- 47 The following table summarises the latest capital budget approved by Council on 24 February 2016, along with the original budget and the Quarter 2 budget reported to Cabinet in November 2015. The table also shows the forecast outturn for each service and the actual capital spend as at 31 December 2015.

Service Grouping	Original Budget 2015/16	Revised Budget 2015/16 (Quarter 2)	Amendments Recommended by MOWG	Revised Budget 2015/16 (Quarter 3)	Projected Outturn 2015/16	Actual Spend to 31 December 2015
	£m	£m	£m	£m	£m	£m
Assistant Chief Executives	3.768	5.355	1.365	3.990	3.990	1.089
Children and Adult Services	34.366	48.769	8.087	40.682	40.682	29.201
Neighbourhoods	35.691	45.953	5.050	40.903	40.903	26.142
Regeneration and Economic Development	61.307	42.218	7.675	34.543	34.543	15.224
Resources	13.348	14.023	2.407	11.616	11.616	6.337
Total	148.480	156.318	24.584	131.734	131.734	77.993

- 48 At this stage of the year expenditure is not at expected levels with only 59% of the total estimated spend for the year having been incurred in the first nine months of the year. All service groupings have been asked to thoroughly review all capital budget profiles to determine whether budgets should be reprofiled into the future.
- 49 Since the Quarter 2, 2015/16 budget was reported to Cabinet on 18 November 2015, MOWG has approved a number of variations to the capital programme which are a result of additional resources received by the Council as well as reductions in grants notified by grant giving bodies. The variations of note are as follows:
- **RED – Additions** - Section 38 grant funding to the value of £0.128 million has been secured towards the installation of traffic signals at Dalton Park.
 - **RED – Reductions** - The budget for the Heart of Teesdale project has been amended due to a reduction in grant available from Heritage Lottery Fund of £0.269 million and £8,000 from Natural England.
 - **Neighbourhood Services – Additions** - The Morrison Busty reserve of £0.180 million is to be used to fund a number of Highway improvement schemes.

- **CAS – Additions** - The Newton Aycliffe Secure Centre has been awarded grants to the value of £0.131 million from the Department of Education towards play equipment, fencing and improvements to communications. Direct Revenue Funding of £72,000 has been identified to fund the replacement of 'POPPIE', the management information system used in the Drug and Alcohol Recovery centres as well as £0.124 million to increase the Drug Estate Dilapidations budget.
- **CAS – Additions** - The Aycliffe Secure Centre Door Replacement Budget has been reduced by £0.334 million to account for the reduction in the anticipated total expenditure following a review of provisions requested in previous years.

50 Budget managers continue to challenge and review the programming and phasing of works, which has resulted in the re-profiling of the following budgets in line with anticipated activity in 2015/16:

- **ACE – Assets to Communities** – It was agreed to carry forward £0.594 million from 2015/16 to 2016/17 to reflect the current level of negotiations with the relevant community groups.
- **ACE –Community Facilities in Crook** – The total budget of £0.513 million for this scheme was carried forward into 2016/17 as the project had been delayed due to ongoing discussions with the Charity Commission.
- **CAS – Free School Meal Support** - £66,000 is to be carried forward to reflect the fact that the final work will be carried out in the Easter holidays.
- **CAS – Public Health** – It was agreed to carry forward additional resources of £0.196 million into 2015/16.
- **CAS – School Related** – Budget holders continuously monitor all school related budgets. This review of contract payments and programme delivery as well as discussions with contractors has resulted in a net reprofiling in 2015/16 of £8.589 million to meet the cost of anticipated work.
- **Neighbourhood Services – Culture and Sport** - It was agreed to reprofile £1.674 million from 2015/16 into 2016/17. This includes £0.256 million for the restoration of Wharton Park, £0.880 million relating to the Newton Aycliffe CAP, £0.305 million for the work at Consett Leisure Centre, £0.162 million for the refurbishment of the changing rooms at Blackfyne and Roseberry schools and £70,000 towards the Library Modernisation programme.
- **Neighbourhood Services – Direct Services** – Approval was granted to reprofile £0.251 million into 2016/17. This includes £88,000 for the purchase of wheeled bins and £0.163 million for Environmental Improvements.
- **Neighbourhood Services – Technical Services** – Permission was sought to reprofile a total of £1.030 million within this service area. This

included £0.880 million relating to the Burnigill Bank scheme, £55,000 for Street Lighting projects and £94,000 relating to the 20mph project.

- **Neighbourhood Services – Projects and Business** – It was agreed to reprofile £2.542 million within this service area. This includes £0.959 million relating to the Waste Management Programme, £1.232 million for the CRM system and £0.350 million for the Stanley CAP.
- **RED – Economic Development and Housing** – Approval was granted to reprofile a total of £6.166 million from 2015/16 within this service area. The significant movement includes £1.698 million relating to Town Centre schemes, £0.321 million for Housing Renewal and £1.000 million relating to Disabled Facilities Grants/Financial Assistance Programme.
- **RED – Planning and Assets** - Permission was sought to reprofile a total of £2.923 million. The significant movement relates to the School Demolition Programme £1.021 million and the Demolition of the Care Homes £0.841 million along with the cost of purchasing Woodham Technical College £0.750 million.
- **RED – Transport** – Approval was granted to reprofile budgets to the value of £2.233 million within this service area. The significant movement relates to the following schemes: Villa Real £0.586 million, Durham Bus Station £0.589 million, Durham City Urban Traffic Control £0.485 million and Merchant Park 2 Junction.

Capital Financing

- 51 The following table summarises the recommended financing of the revised Capital Programme:

Financing – General Fund Capital Programme 2015/16

Financed By:	Original Budget 2015/16 £m	Quarter 2 Budget 2015/16 £m	Amendments Recommended by MOWG £m	Revised Budget 2015/16 £m
Grants and Contributions	36.041	53.579	-1.261	52.318
Revenue and Reserves	0.280	3.704	9.463	13.167
Capital Receipts	16.619	16.631	0.000	16.631
Borrowing	95.540	82.404	-32.786	49.618
Total	148.480	156.318	-24.584	131.734

Council Tax and Business Rates Collection Funds

Council Tax

- 52 Council Tax is charged for all residential dwellings in bandings agreed by the Valuation Office Agency, which is part of Her Majesty's Revenues and Customs (HMRC). Exemptions, reliefs and discounts are awarded dependent upon the state of the property, its use and occupiers' personal circumstances.
- 53 The collection rate at 31 December 2015 was above the in year profiled target of 83.0% and also an improvement of 1.53 percentage points over 2014/15 actual collection. This has been achieved through more automation of the 2015/16 recovery schedule used to target non-payers
- 54 The in-year collection rates to Quarter 3 for the last three years including the current year are shown below:

Billing Year	Position at 31 December Each Year %
2015/16	84.47
2014/15	82.94
2013/14	82.89

- 55 The current overall collection rate for 2014/15 council tax liabilities is now 97.17% and for 2013/14 council tax liabilities is now 97.98%. The Council continues to recover Council Tax from earlier years and currently, the collection rate for all years excluding the current year is 99.06% which is in line with our medium term financial plan forecasts.
- 56 The income shown in the Council Tax Collection Fund is the amount collectable from Council Tax payers in the long run, rather than the actual cash collected in the year the charges are raised. Likely bad debts are accounted for by maintaining a bad debt provision. The amount estimated to be collectable is calculated each year by reference to the actual council taxbase for all domestic properties in the county (schedule of all properties, discounts and reliefs) with an allowance for non-collection, currently 1.5%.
- 57 Due to changes in the number of properties (including new build and demolitions), eligibility of discounts and reliefs during the year, the actual amount collectable increases or decreases from the estimate on a dynamic

day to day basis. In addition, adjustments for previous billing years take place during each accounting year. All of these adjustments mean that the actual amounts collected will always differ from the estimate.

- 58 Such differences at the end of each accounting year, after taking into account the calculated change required in the 'bad debt' provision, determines whether a surplus or deficit has arisen, which is then shared proportionately between the Council and its major preceptors, being Durham Police and Crime Commissioner and County Durham and Darlington Fire and Rescue Authority.
- 59 At 31 December 2015, the Estimated Outturn for the Council Tax Collection Fund is a surplus of £7.031 million as shown in the table overleaf. Durham County Council's share of this forecasted surplus is £5.896 million.

	£m
Net Bills issued during Accounting Year 2015/16	279.271
LCTRS and previous years CTB adjustments	-51.866
Calculated change in provision for bad debts required and write offs	-2.314
Net income receivable (a)	225.091
Precepts and Demands	
Durham County Council	174.134
Parish and Town Councils	10.921
Durham Police and Crime Commissioner	21.235
County Durham and Darlington Fire and Rescue Authority	12.261
Total Precepts and Demands (b)	218.551
Net Surplus / (-) Deficit for year (a) – (b)	6.540
Surplus Brought Forward from 2014/15	0.491
Estimated Year end surplus	7.031

- 60 At 15 January in each year, the estimated surplus or deficit on the Collection Fund Council Tax Account is notified to the two major preceptors for inclusion in the budget setting process for the following year as an additional income or expenditure item.
- 61 At 15 January 2016 the decision was taken to declare the surplus as shown above as an estimated year end position on the Council Tax Collection Fund for 2015/16. This has been taken into account in the budget setting process for 2016/17. Any difference between this and the actual surplus at 31 March 2016 will be carried forward to 15 January 2017 and will be taken into account in estimating the surplus/deficit for 2016/17, which will need to be taken into account for 2017/18 budget setting.
- 62 Over the past four years, the Council Tax provision for bad debts has been increasing steadily. This managed approach has been necessary to minimise

the risk of the Council Tax Collection Fund moving into deficit whilst securing the robustness of the levels of provision held. The position has now been reached where maintaining the provision at a prudent level does not prevent the declaration of a surplus.

Business Rates

- 63 2013/14 was the first year of the new Business Rates Retention Scheme whereby the Council now has a vested budget interest and stake in the level of business rate yield, as income generated from Business Rates is now shared between Central Government (50%), Durham County Council (49%) and County Durham and Darlington Fire and Rescue Authority (1%). It is therefore, not only the accuracy and timeliness of bills levied and tax collected that is monitored and audited, but the level of income anticipated for the year is important and new monitoring procedures have been devised for this purpose.
- 64 Bills raised, exemptions and reliefs awarded are examined, together with local knowledge of anticipated changes in reliefs such as Mandatory Charitable Relief and Discretionary Rate Relief, on a monthly basis to enable a comparison with the January 2015 estimate of 2015/16 Business Rates income that was used for budget setting purposes. At 31 December 2015, the estimated outturn for the Collection Fund - Business Rates is a deficit of £6.692 million, arrived at as shown in the table below, which takes into account the actual surplus brought forward from 2014/15, including the previously declared estimated surplus plus the undeclared surplus based upon the actual surplus as at 31 March 2015.

	£m
Net rate yield for 2015/16 including previous year adjustments	116.954
Estimate of changes due to appeals lodged and future appeals	-9.919
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-1.754
Net income receivable (a)	105.281
Agreed allocated shares	
Central Government (50%)	55.916
Durham County Council (49%)	54.798
County Durham and Darlington Fire and Rescue Authority (1%)	1.118
Payment of Previous year's declared surplus	1.020
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	0.645
Total fixed payments (b)	113.497
Net deficit for year (a) – (b)	-8.216
Declared Surplus brought forward from 2014/15	1.020
Undeclared Surplus brought forward from 2014/15	0.504
Estimated year end deficit	-6.692

- 65 The in-year estimated deficit of £8.216 million is mainly due to forecasted increased loss of income from business rate payers' successful appeals based on evidence from those already settled. This forecasted loss is being offset by the total surplus brought forward from 2014/15, leaving an estimated deficit of £6.692 million at 31 March 2016. Any surpluses or deficits at 31 March in any year are shared proportionately between Durham County Council, Central Government and County Durham and Darlington Fire and Rescue, Durham County Council's share being 49%. Durham County Council's share of the estimated year end deficit will therefore be £3.279 million.
- 66 The forecasting of the outturn position on the Business Rate Collection Fund is volatile and is therefore being monitored very closely. It is important that the Council can accurately ascertain the net position of both the Council Tax and Business Rate Collection Funds as part of the development of MTFP(6).
- 67 The payment profile on collection performance is changing due to more businesses opting to spread their payments over 12 months rather than ten. The major Business Rates Payers have all opted to take up this opportunity to re-profile their cash flow. However, robust collection procedures have ensured that the challenging collection target of 81.7% has been marginally exceeded.

- 68 The in-year collection rates to Quarter 3 for the last three years, including the current year, are shown below:

Billing year	Position at 31 December Each Year %
2015/16	82.95
2014/15	81.63
2013/14	85.38

- 69 The 82.95% collection rate exceeds the target by 1.25 percentage points.
- 70 The current overall collection rate for 2014/15 business rate liabilities is now 98.60% and for 2013/14 business rate liabilities is now 99.03%. The Council continues to recover Business Rates from earlier years and currently, the collection rate for all years excluding the current year is 99.5% which is in line with our medium term financial plan forecasts.

Section 31 Grant - Small Business Rate Relief

- 71 Small Business Ratepayers with properties with rateable values under £12,000 benefit from relief on their rates payable. The Government has awarded local authorities a special 'Section 31' grant to cover their share of the shortfall in business rates that these small business ratepayers would have paid had the relief scheme not been in place.
- 72 Small Business Ratepayers with properties with rateable values up to £6,000 are currently being granted full relief instead of 50% relief under the previous scheme, and properties with rateable values between £6,000 and £12,000 have a tapered relief applied to them ranging from 100% down to 0%, but in all cases double the standard relief.
- 73 The Section 31 grant has been calculated as 50% of the extended small business rate relief awarded.
- 74 The Government has only agreed to pay Section 31 grant for the additional Small Business Rate Relief in respect of business rates bills and adjustments thereof relating to the period commencing 1 April 2013. Any adjustments that relate to bills for years prior to this will be dealt with as part of the normal Rate Retention shares. At 31 December 2015, the gross Small Business Relief awarded against 2015/16 Business Rates bills and adjustments to 2014/15 and 2013/14 bills is £9.858 million, and on this the Council will receive £2.439 million in Section 31 Grant, including the capping adjustment.

Other Section 31 Grants

- 75 In the Autumn Statements of 2013, 2014 and 2015, additional Business Rate Reliefs were announced for 2014/15, 2015/16 and 2016/17 for which Section 31 Grants would be payable. These included one for properties empty from new, reoccupation of long-term empty properties and an additional relief for small shops.
- 76 When assessing estimated outturn income from Business Rates, due regard must also be given on the effect that changes in estimated reliefs will have on the Section 31 grants. At 31 December 2015, the surplus in Durham County

Council's Section 31 grants (including Small Business Rate Relief) was £0.127 million, in addition to the estimated deficit discussed above.

- 77 Whilst the surplus in S31 grants is accounted for in 2015/16, the deficit on Business Rates retention is accounted for in 2016/17.

Recommendations and Reasons

- 78 It is recommended that Cabinet:

1. Note the projected change in the Council's overall financial position for 2015/16.
2. Agree the proposed 'sums outside the cash limit' for approval.
3. Agree the revenue and capital budget adjustments.
4. Note the forecast use of Earmarked Reserves.
5. Note the forecast end of year position for the Cash Limit and General Reserves.
6. Note the position on the Capital Programme and the Collection Funds in respect of Council Tax and Business Rates.

Background Papers

- (a) County Council – 25 February 2015 – General Fund Medium Term Financial Plan 2015/16 to 2017/18, Revenue and Capital Budget 2015/16
- (b) Cabinet – 15 July 2015 - 2014/15 Final Outturn for General Fund, Housing Revenue Account and Collection Fund
- (c) Cabinet – 16 September 2015 - Forecast of Revenue and Capital Outturn 2015/16 for General Fund and Housing Revenue Account – Period to 30 June 2015
- (d) Cabinet – 18 November 2015 - Forecast of Revenue and Capital Outturn 2015/16 for General Fund and Housing Revenue Account – Period to 30 September 2015

Contact:	Jeff Garfoot	Tel: 03000 261946
	Paul Darby	Tel: 03000 261930

Appendix 1: Implications

Finance -

The report details the 2015/16 forecast of outturn position for Revenue and Capital and details the forecast movement on Reserves.

Staffing -

None

Risk -

The figures contained within this report have been extracted from the General Ledger, and have been scrutinised and supplemented with information supplied by the Service Management Teams and budget holders. The projected outturn has been produced taking into consideration spend to date, trend data and market intelligence, and includes an element of prudence. This, together with the information supplied by Service Management Teams and budget holders, helps to mitigate the risks associated with achievement of the forecast outturn position.

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 -

The outturn proposals contained within this report have been prepared in accordance with standard accounting policies and procedures.

Appendix 2: Revenue Summary 2015/16

Appendix 3: Revenue Summary by Expenditure / Income for the period ended 31 March 2016

	Original Budget 2015/16	Revised Budget	Proposed Budget Revisions	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	£'000	£'000
Employees	470,911	484,508	356	484,864	479,001	486	-5	-89	-381	479,012	-5,852	-18
Premises	50,757	50,800	116	50,916	50,736	0	-47	0	0	50,689	-227	0
Transport	47,915	41,223	-106	41,117	40,505	0	-1	0	-11	40,493	-624	0
Supplies & Services	112,068	126,664	-789	125,875	126,982	1,275	-295	0	210	128,172	2,297	-146
Agency & Contracted	307,725	311,269	-205	311,064	300,604	2,308	-530	-433	2,610	304,559	-6,505	-3
Transfer Payments	204,317	206,612	-491	206,121	202,742	0	0	0	35	202,777	-3,344	0
Central Costs	96,263	96,675	-556	96,119	97,240	0	0	0	267	97,507	1,388	0
DRF	0	125	0	125	425	0	0	0	0	425	300	0
Other	18,603	20,370	1,257	21,627	21,619	0	0	0	989	22,608	981	0
Capital Charges	48,977	48,977	0	48,977	48,971	0	0	0	0	48,971	-6	0
GROSS EXPENDITURE	1,357,536	1,387,223	-418	1,386,805	1,368,825	4,069	-878	-522	3,719	1,375,213	-11,592	-167
Income												
- Specific Grants	564,352	577,437	589	578,026	571,732	105	0	0	-515	571,322	6,704	0
- Other Grants & conts	53,488	70,276	-293	69,983	72,787	0	15	0	-14	72,788	-2,805	0
- Sales	5,966	6,469	107	6,576	6,464	100	0	0	-23	6,541	35	0
- Fees & charges	104,473	102,440	14	102,454	102,663	15	7	0	98	102,783	-329	-15
- Rents	6,494	7,698	-248	7,450	7,223	0	0	0	0	7,223	227	0
- Recharges	186,789	187,117	-460	186,657	192,812	0	0	0	-38	192,774	-6,117	0
- Other	7,755	8,159	7	8,166	8,893	0	0	0	418	9,311	-1,145	0
Total Income	929,317	959,596	-284	959,312	962,574	220	22	0	-74	962,742	-3,430	-15
NET EXPENDITURE	428,219	427,627	-134	427,493	406,251	3,849	-900	-522	3,793	412,471	-15,022	-182

Appendix 4: Earmarked Reserves Position as at 31 December 2015

	EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	2014/15 CLOSING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	2015/16 CLOSING BALANCE AS AT 31 DECEMBER
			£'000	£'000	£'000	£'000	£'000	£'000
1	ACE AAP/Members Reserve	ACE	-3,699	699	0	-118	581	-3,118
2	ACE Grant Reserve	ACE	-194	48	-1,205	0	-1,157	-1,351
3	ACE Operational Reserve	ACE	-124	8	-88	-475	-555	-679
4	Social Care Reserve	CAS	-13,335	0	-217	0	-217	-13,552
5	Aycliffe Young People's Centre Reserve	CAS	-1,202	868	0	0	868	-334
6	Continuing Professional Development Reserve	CAS	-1,035	566	-232	0	334	-701
7	Education Reserve	CAS	-2,440	578	-341	-1,409	-1,172	-3,612
8	Tackling Troubled Families	CAS	-2,027	281	-93	0	188	-1,839
9	Transformation Reserve	CAS	-1,483	0	-1,264	0	-1,264	-2,747
10	Innovations and YEI Redundancy Reserve	CAS	0	0	0	-1,000	-1,000	-1,000
11	Special Projects Reserve	CAS	-37	37	0	0	37	0
12	Public Health Reserve	CAS	-4,983	1,209	-672	0	537	-4,446
13	Neighbourhoods AAP Reserve	NS	-40	4	0	0	4	-36
14	Customer Services Reserve	NS	-373	150	0	0	150	-223
15	Direct Services Reserve	NS	-3,043	926	-555	0	371	-2,672
16	Env. Health and Consumer Protection Reserve	NS	-1,000	220	-21	0	199	-801
17	Culture and Sport Reserve	NS	-3,193	702	-126	0	576	-2,617
18	Strategic Waste Reserve	NS	-1,796	1,548	0	0	1,548	-248
19	Technical Services Reserve	NS	-2,922	563	-590	0	-27	-2,949
20	Transport Asset Management Programme Reserve	NS	-318	206	0	0	206	-112
21	Business Growth Fund Reserve	RED	-913	97	0	0	97	-816
22	Economic Development Reserve	RED	-1,486	448	0	481	929	-557
23	Planning Reserve	RED	-1,423	100	0	0	100	-1,323
24	North Pennines AONB Partnership Reserve	RED	-329	0	0	0	0	-329
25	Employability and Training Reserve	RED	-458	338	0	-1,478	-1,140	-1,598
26	RED Match Fund Programme Reserve	RED	-1,344	0	-975	-243	-1,218	-2,562
27	Housing Regeneration Reserve	RED	-410	0	-827	827	0	-410
28	Housing Solutions Reserve	RED	-867	188	0	0	188	-679
29	Restructure Reserve	RED	-663	36	0	413	449	-214
30	Transport Reserve	RED	-287	0	0	0	0	-287
31	Funding and Programmes Management Reserve	RED	-140	45	0	0	45	-95
32	Resources Corporate Reserve	Resources	-984	59	0	0	59	-925
33	Resources DWP Grant Reserve	Resources	-1,930	217	-546	0	-329	-2,259
34	Resources System Development Reserve	Resources	-840	205	0	0	205	-635
35	Resources Housing Benefit Subsidy Reserve	Resources	-745	0	0	0	0	-745
36	Resources Single Fraud Incentive Scheme	Resources	0	0	-257	0	-257	-257
37	Local Council Tax Support Scheme Reserve	Resources	-1,031	0	0	1,031	1,031	0
38	Resources Land Search Fees Reserve	Resources	-1,000	46	0	509	555	-445
39	Resources Legal Expenses Reserve	Resources	-200	0	0	0	0	-200
40	Resources Legal Services Reserve	Resources	0	0	-154	0	-154	-154
41	Resources Elections Reserve	Resources	-1,036	26	0	0	26	-1,010
42	Resources ICT Reserves	Resources	-1,130	299	0	-500	-201	-1,331
43	Human Resources Reserve	Resources	-65	65	0	0	65	0
44	Corporate Reserve - Demographic Pressures	Corporate Fin	-23,600	4,150	0	19,450	23,600	0
45	Equal Pay Reserve	Corporate Fin	-14,114	4,744	-207	0	4,537	-9,577
46	Insurance Reserve	Corporate Fin	-15,601	0	0	2,000	2,000	-13,601
47	Performance Reward Grant Reserve	Corporate Fin	-1,044	320	0	0	320	-724
48	MTFP Redundancy and Early Retirement Reserve	Corporate Fin	-10,878	4,931	0	-10,000	-5,069	-15,947
49	Office Accommodation Project Support Reserve	Corporate Fin	-1,007	743	0	0	743	-264
50	Planned Delivery Programme (PDP) Reserve	Corporate Fin	-20,000	0	0	20,000	20,000	0
51	Budget Support Reserve	Corporate Fin	0	0	0	-30,000	-30,000	-30,000
52	Capital Expenditure Reserve	Corporate Fin	-2,802	1,450	-1,000	450	900	-1,902
53	Office Accommodation Capital Reserve	Corporate Fin	-8,000	0	-22,000	-12,481	-34,481	-42,481
54	Housing Stock Transfer Reserve	Corporate Fin	0	0	-1,000	0	-1,000	-1,000
	Total Earmarked Reserves		-157,571	27,120	-32,370	-12,543	-17,793	-175,364
	Cash Limit Reserves							
55	Assistant Chief Executive		-773	0	-222	755	533	-240
56	Children and Adults Services		-9,443	770	-10,365	5,829	-3,766	-13,209
57	Neighbourhood Services		-5,076	1,063	-1,290	2,039	1,812	-3,264
58	Regeneration and Economic Development		-3,216	323	-1,521	964	-234	-3,450
59	Resources		-3,857	168	-1,442	2,956	1,682	-2,175
	Total Cash Limit Reserves		-22,365	2,324	-14,840	12,543	27	-22,338
	Total Council Reserves		-179,936	29,444	-47,210	0	-17,766	-197,702
	Schools' Balances							
Sch 1	Schools' Revenue Balance	CAS	-24,244	6,536	0	0	6,536	-17,708
Sch 2	DSG Reserve	CAS	-10,365	360	0	0	360	-10,005
	Total Schools and DSG Reserve		-34,609	6,896	0	0	6,896	-27,713