

Cabinet

19th June 2008

Year-end Financial Report – 2007/08



**Report of Stuart Crowe, County Treasurer
[Cabinet Portfolio Member for Corporate
Resources, Councillor Michele Hodgson]**

Purpose of Report

- 1 This report presents Members with information about the 2007/08 outturn in advance of the Statement of Accounts being submitted to the County Council on 26th June. It allows Members to examine the financial outturn of the County Council and challenge me and Chief Officers on issues raised in the document. It also includes a recommendation relating to slippage of the Capital programme.

Background

- 2 The process of presenting outturn reports is closely linked to the Statement of Accounts, approval for which will be sought from the County Council on 26th June. The Statement of Accounts is submitted in a format which satisfies various statutory and recommended accountancy requirements.
- 3 This report provides Members with an opportunity to consider carefully the overall and service financial performance of the Authority at the end of 2007/08 and provides more detailed information on which the Statement of Accounts is based. It covers both Revenue and Capital expenditure and provides a link to the original budget in a format that reflects the Budget Book.
- 4 This report represents the final quarter of the quarterly monitoring reports for 2007/08 which were reported to Cabinet and Scrutiny throughout the year, and reflects some of the trends highlighted in those previous reports.
- 5 Section 6 details the services provided by the County Council.

Approach and Protocols

- 6 The production of management accounts, statutory accounts and the requirement to report under various legal, technical and financial guidelines can make the process of understanding the final outturn reports and statutory accounts difficult.

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- 7 Two issues made this year potentially more challenging than most.
- 8 This year the revaluation of Children and Young People's Services assets has led to a significant increase in the depreciation charge to the service over that in the original budget. This charge is reversed out below the Net Cost of Services so that it has no effect on the council tax payer or the County Council's overall outturn position.
- 9 Recent changes to CIPFA's Statement of Recommended Practice (SORP) require that losses in value that assets have suffered during the year are charged to services' revenue expenditure. These changes are significant and were not included in the original budget, but again, they are reversed out below the Net Cost of Services as part of the capital charges and have no effect.
- 10 I have attempted to simplify the presentation of these figures by removing the impact on Services of changes in accounting treatment relating to Capital charges, required by 2007 SORP. This adjustment has no impact on cash and the 'bottom line' and has no impact on the overall budget or Council Tax payers.
- 11 Consequently this report will deal with the variances prior to these technical accounting changes. The final Statement of Accounts that will be presented to the County Council will show a differing analysis of net cost of services but the underlying contribution to reserves will be unchanged.
- 12 Three revenue summaries are shown for comparison purposes in section 2:
- Summary A shows revenue expenditure adjusted for technical accounting changes compared to original budget.
- Summary B is a comparison of outturn to the forecast of outturn.
- Summary C shows revenue expenditure in statutory format compared to original budget.
- 13 Variances throughout the report follow this convention –
- negative variance means an overspend or less income
 - + positive variance means an under spend or more income
- 14 This report refers to "target" and "non-target" expenditure. Target spend is that which is directly controlled by the Service Director. Non-target spend is expenditure recharged to that Service by support

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services and variances in these areas are explained in those support service reports.

15 The Report is divided into 6 Sections:

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Section 1: Executive Summary

Revenue Expenditure

- 1 Service expenditure for 2007/08 was £5.2m less than budget. This was due to:
 - Adult and Community Services (ACS) - (£2.1m under spent after adjusting for recharges with Children and Young People's Service (CYPS) of £1.5m), due to reduced residential care costs, vacant posts and delays in investing allocated growth.
 - Chief Executives Office (CEO) - £1.0m under spend due to vacant posts in Customer Services and Economic Development.
 - CYPS - £0.3m under spent after removing balances on trading accounts and carrying forward an 'Invest to Save' project balance.
 - Corporate Services - £1.1m overspent due to reduced workload for Design Services and therefore less opportunity to recover costs and increased repairs and maintenance costs on premises.
 - Environment £2.4m under spent due to reduced energy costs, lower insurance charges and staff vacancies.

- 2 Contingencies were under spent, in the main due to equal pay claims not being settled as anticipated during 2007/08, by £16.9m relating to County Council Staff and a further £4.1m relating to school based staff.

- 3 Investment Income was £4.3m better than budgeted due to slower spend on capital, the non settlement of equal pay claims in year and increased interest rates, together with the surplus from DurhamNet.

- 4 Direct Insurance costs were lower than anticipated by £1.1m.

- 5 During 2007/08 this level of under spend was anticipated by Members and schemes have been put in place to utilise £2.5m of this under spend and specific reserves have been established to allow these schemes to be completed during 2007/08. These are as follows:
 - Scrutiny Proposals - £1.1m
 - Refurbishment of Care Homes - £0.6m
 - Conversion of the Cafeteria to office space - £0.3m
 - Support to the Police Authority - £0.5m

Furthermore the £1.1m insurance balance is to be set aside to cover potential claims against the County Council.

- 6 Resources for equal pay claims have been set aside for use in 2008/09, reserves of the County Council have increased by £20.1m, of which £9.3m is accounted for the increase in the General Reserve.

Capital Expenditure

- 7 Capital spending is £7.7m lower than the original capital programme at £77.1m. During the year there have been revisions to the original budget of £14.1m (including slippage from 2007/08), and slippage into 2008/09 of £23.8m. This is detailed in Section 4.

Treasury Management

- 8 Interest on the County Council's short-term investments is £4.3m higher than original budget. The under spends in the County Council's revenue and capital budget, the non-settlement of equal pay claims, and rising interest rates, have contributed to this increase. Section 5 summarises Treasury Management activities and reports on the Prudential Code.

Conclusion

- 9 The outturn for 2007/08 saw expenditure of £274.4m, which was £32.7m below budget. This underspend was required to establish a number of specific reserves notably for Equal Pay. There has been an increase of £9.3m in the general reserve. Capital expenditure was £77.1m, £7.7m lower than original budget.

Recommendation

- 10 Members are asked to note this report, and agree to slippage in the capital programme as outlined in Section 4.

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Section 2: Revenue Summaries

A Revenue Expenditure adjusted for technical accounting changes compared to Original Budget (This is the key statement for analysis).

Service	Original Budget	Original Budget excluding impairment and capital charges	Outturn excluding Impairment and Capital Charges	Variance - Outturn v Original Budget excluding Capital Charges
	£000	£000	£000	£000
Adult and Community Services	138,935	137,418	133,862	3,556
Chief Executives Office	4,572	4,635	3,561	1,074
Children and Young People's Service	83,349	73,845	74,649	-804
Connexions	0	0	73	-73
Corporate Services	7,000	6,438	7,518	-1,080
County Treasurer and Other Services	874	874	729	145
Environment	54,735	48,556	46,152	2,404
SERVICE EXPENDITURE	289,465	271,766	266,544	5,222
Contingencies	17,765	17,765	0	17,765
Equal Pay in Schools	0	0	-4,068	4,068
NET COST OF SERVICES	307,230	289,531	262,476	27,055
Non-Service Costs				
Capital charges	-18,338	0	0	0
Reversal of Impairment	0	0	0	0
Loss on Disposal	0	0	8,348	-8,348
Reversal of Loss on Disposal	0	0	-8,348	8,348
				0
Capital financing	21,534	21,534	22,715	-1,181
Interest and Investment income	-3,529	-3,529	-7,824	4,295
Uncertain Liabilities - Insurance	0	0	-1,133	1,133
Other budgets - Service Direct	-1,229	-1,868	-1,806	-62
Total Non-Service Costs	-1,562	16,137	11,952	4,185
NET BUDGET	305,668	305,668	274,428	31,240
Movement on General Reserves	-2,579	-2,579	9,318	-11,897
Movement on Earmarked Reserves	-9,956	-9,956	10,813	-20,769
NET BUDGET REQUIREMENT	293,133	293,133	294,559	-1,426
FINANCED BY:				
Amount Required from Precepts	-150,656	-150,656	-150,656	0
Estimated net surplus on District Council Collection Funds	-1,860	-1,860	-1,860	0
Revenue Support Grant	-20,207	-20,207	-20,207	0
Re-distributed Non Domestic Rates	-120,410	-120,410	-120,410	0
LABGI	0	0	-1,426	1,426
TOTAL	-293,133	-293,133	-294,559	1,426

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B Comparison of Outturn to Forecast of Outturn

During the year, Services have forecast the outturn position, and this information informed the budget process. The table below shows the final outturn position, as amended for changes to the accounting treatment of capital charges compared with the Services' forecast of outturn.

Service	Forecast Outturn as per Budget Book	Forecast Outturn as per Budget Book - excluding Capital Charges	Outturn excluding Impairment and Capital Charges	Variance - Outturn v Forecast Outturn - excluding Capital Charges
	£000	£000	£000	£000
Adult and Community Services	135,559	134,397	133,862	535
Chief Executives Office	4,820	4,721	3,561	1,160
Children and Young People's Service	86,242	76,738	74,649	2,089
Connexions	0	0	73	-73
Corporate Services	7,567	7,005	7,518	-513
County Treasurer and Other Services	696	696	729	-33
Environment	53,895	47,716	46,152	1,564
SERVICE EXPENDITURE	288,779	271,273	266,544	4,729
Contingencies	2,307	2,307	0	2,307
Equal Pay in Schools	0	0	-4,068	4,068
NET COST OF SERVICES	291,086	273,580	262,476	11,104
Non-Service Costs				
Capital charges	-18,146	0	0	0
Reversal of Impairment	0	0	0	0
Loss on Disposal	0	0	8,348	-8,348
Reversal of Loss on Disposal	0	0	-8,348	8,348
			0	
Capital financing	21,228	21,228	22,715	-1,487
Interest and Investment income	-7,000	-7,000	-7,824	824
Uncertain Liabilities - Insurance	-1,296	-1,296	-1,133	-163
Other budgets - Service Direct	-1,229	-1,869	-1,806	-63
Total Non-Service Costs	-6,443	11,063	11,952	-889
NET BUDGET	284,643	284,643	274,428	10,215
Movement on General Reserves	1,567	1,567	9,318	-7,751
Movement on Earmarked Reserves	6,923	6,923	10,813	-3,890
NET BUDGET REQUIREMENT	293,133	293,133	294,559	-1,426
FINANCED BY:				
Amount Required from Precepts	-150,656	-150,656	-150,656	0
Estimated net surplus on District Council Collection Funds	-1,860	-1,860	-1,860	0
Revenue Support Grant	-20,207	-20,207	-20,207	0
Re-distributed Non Domestic Rates	-120,410	-120,410	-120,410	0
LABGI	0	0	-1,426	1,426
TOTAL	-293,133	-293,133	-294,559	1,426

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C Revenue Expenditure in Statutory format compared to Original Budget

Service	Original Budget	Outturn	Variance - Outturn v Original Budget	Variance
	£000	£000	£000	%
Adult and Community Services	138,935	135,372	3,563	3
Chief Executives Office	4,572	5,039	-467	-10
Children and Young People's Service	83,349	120,711	-37,362	-45
Connexions	0	2	-2	0
Corporate Services	7,000	9,691	-2,691	-38
County Treasurer and Other Services	874	733	141	16
Environment	54,735	54,806	-71	-0
SERVICE EXPENDITURE	289,465	326,354	-36,889	-13
Contingencies	17,765	0	17,765	100
Equal Pay in Schools	0	-4,068	4,068	0
NET COST OF SERVICES	307,230	322,286	-15,056	-5
Non-Service Costs				
Capital charges	-18,338	-37,602	19,264	-105
Reversal of Impairment	0	-22,814	22,814	0
Loss on Disposal	0	8,348	-8,348	0
Reversal of Loss on Disposal	0	-8,348	8,348	0
Capital financing	21,534	22,715	-1,181	-5
Interest and Investment income	-3,529	-7,824	4,295	-122
Uncertain Liabilities - Insurance	0	-1,133	1,133	0
Other budgets - Service Direct	-1,229	-1,200	-29	2
Total Non-Service Costs	-1,562	-47,858	46,296	-2,964
NET BUDGET	305,668	274,428	31,240	10
Movement on General Reserves	-2,579	9,318	-11,897	461
Movement on Earmarked Reserves	-9,956	10,813	-20,769	209
NET BUDGET REQUIREMENT	293,133	294,559	-1,426	-0
FINANCED BY:				
Amount Required from Precepts	-150,656	-150,656	0	0
Estimated net surplus on District Council Collection Funds	-1,860	-1,860	0	0
Revenue Support Grant	-20,207	-20,207	0	0
Re-distributed Non Domestic Rates	-120,410	-120,410	0	0
LABGI	0	-1,426	1,426	0
TOTAL	-293,133	-294,559	1,426	0

Section 3: Revenue Expenditure

Adult and Community Services

	Original Budget	Outturn Position	Outturn v Original Budget	% Variance
	£'000	£'000	£'000	£'000
Employees				
- Direct	60,089	58,112	1,977	3%
- Other	700	2,826	-2,126	-304%
Total Employees	60,789	60,938	-149	0%
Premises	4,602	4,902	-300	-7%
Transport	4,429	4,374	55	1%
Supplies & Services	9,483	10,326	-843	-9%
Agency & Contracted	136,007	136,063	-56	0%
Purchase of Care	0	0	0	0%
Transfer Payments	0	0	0	0%
Central Support	8,052	6,514	1,538	19%
Other	0	-74	74	0%
GROSS EXPENDITURE (excluding Capital Charges)	223,362	223,043	319	0%
Income				
- Specific Grants	29,451	28,417	-1,034	-4%
- Other Grants & conts	19,845	21,504	1,659	8%
- Sales	225	423	198	88%
- Fees & charges	32,553	32,675	122	0%
- Recharges	3,235	5,192	1,957	60%
- Other	633	969	336	53%
Total Income	85,943	89,180	3,237	4%
NET EXPENDITURE (excluding Capital Charges)	137,419	133,863	3,556	3%
Capital Charges	1,516	1,509	7	0%
- Depreciation	0			0%
NET EXPENDITURE (including Capital Charges)	138,935	135,372	3,563	3%

Executive Summary

- 1 The outturn position for the Service is reported against the Original Budget. The final outturn for the target budget which is operationally controlled by the service is a £2.1m (1.6%) under spend. In addition there is an under spend on non target recharges of £1.5m which is offset by a corresponding overspend in Children and Young Peoples Services.
- 2 The following points, however, must be considered, when analysing the final position:

- A range of one off factors occurred which will not continue into 2008/09:
 - There were delays in investing growth during 2007/08 which resulted in an under spend of £0.5m. All these sums are fully committed in 2008/09.
 - Posts were held vacant whilst the restructure process was being finalised. This resulted in savings of £0.4m. All posts are now filled.
 - One off sums of income have been received which will not occur in 2008/09 of £0.2m.

- A number of savings generated in 2007/08 were submitted as savings for 2008/09:
 - There was a £0.35m saving in 2008/09 in the in-house home care service linked to reduced activity. A saving of £0.2m is included in the 2008/09 budget.
 - Efficiency savings of £0.2m were generated with the general office expenses budget. This saving is included in the 2008/09 savings plan.
 - There is a £1.1m under spend in the purchase of residential care budget. Although this is partially offset by an overspend in the overall home care budget a £0.1m saving is included in the 2008/09 savings plan.
 - ACS continues to develop strategies to reduce transport costs. Savings of over £0.1m were generated in 2007/08 resulting in the inclusion of a saving of £0.1m in the 2008/09 savings plan.

- 3 Adult and Community Services reported the likelihood of the fortuitous level of saving in 2007/08 from quarter 1 of the financial year. This early reporting has aided the County Council in making a decision to agree to a range of one off investments such as £0.65m to be invested in the refurbishment of residential homes and £0.1m to be invested in raising awareness of the impact of domestic abuse. In both circumstances a specific reserve will be created to enable these investments to occur in 2008/09.

- 4 The final outturn under spend is £0.2m higher than the revised forecast. A number of variances have occurred since the revised forecast was estimated reflecting the issues outlined in paragraph 2 above.

Revenue Outturn

- 5 The outturn position is reported against the Original budget for Adult and Community Services. Some of the key issues which had impacted upon the outturn position are detailed below:

6 Employees - £0.15 overspent.

Although the employees budget was £0.15m overspent the following issues should be noted:

- Impact of Adult and Community Services (ACS) and Children and Young People's Services (CYPS) restructure – a sum of £1.53 million was transferred to CYPS for 2007/08 to take account of the transfer of support services as part of the restructure. The transfer of staff to the new CYPS structure was not finalised until February 2008 which resulted in staff salaries being charged to the ACS budget for the majority of the year. This resulted in an overspend of £1.3 million.
- ACS received growth to progress the next phase of the Day Services Improvement programme based around the Pontop Centre. The development was delayed resulting in an under spend of £0.38m.
- There is an under spend of £0.35m in the Older Person Provider Service relating to home care. The budget was set at 25,000 hours per annum but activity had reduced to 20,000 by the end of the year.
- During the restructure process a range of posts were held vacant. The impact of this along with other staffing vacancies resulted in an under spend of £0.4m.

7 Premises £0.17 overspend

The key issue related to additional premises costs being incurred as part of the Day Service improvement programme in Derwentside. Facilities have been upgraded to enable flexible access to buildings.

8 Transport £0.06m under spend

Additional pressure was encountered due to delays in making savings linked to changes to eligibility criteria. The revised criteria were not implemented until November 2007 resulting in a shortfall on savings of 0.18m. The service was successful, however, in reducing transport costs elsewhere in the budget, especially in relation to self directed travel and by relocating home care staff resulting in reduced costs of car allowances.

9 Supplies and Services – £0.84m overspend

The key issues to note are as follows:

- Training budget – similar to the Employees budget, a sum of £0.38m was transferred to CYPS as part of the restructure process. The delay in finalising the restructure process resulted in costs being charged to ACS and this budget overspending by £0.38m.

- Seven Hills removal expenses – an overspend of £0.08m will be funded by a reserve created in 2006/07.
- General Office Expenses – an under spend of £0.2m was generated due to range of cost cutting exercises. This saving is included in the 2008/09 savings targets.
- Grant Expenditure – a range of grants were received during 2007/08 which were not budgeted for especially in Libraries, Learning and Culture. This resulted in an overspend of £0.5m in the supplies and services budget which is offset by a £0.5m over recovery in the income budget.

10 Agency and Contracted - £0.3m overspend

The overspend is small in comparison to the overall Agency budget of £136m. Key issues to note are as follows:

- An under spend of £1.1m in Older Persons Residential Care highlighting the success of ACS in maintaining the independence of older people.
- An overspend of £1.7m in Older Persons Home Care. Again this is a sign of the successful policy of supporting people in their own homes.
- Supporting People – the total County Supporting People budget is accounted for in ACS. In 2007/08 there is a £1m under spend which will be carried forward.
- Learning Disability Support Housing – the cost of packages for learning disability clients was higher than expected. This resulted in an overspend of £0.95m. The majority of this cost however, is recovered via increased contributions from health.

11 Central Support £0.01m overspend

The overspend of £0.01m relates in the main to the write off of debt and adjustments to the bad debt provision.

12 Income - £3.24m over recovered

The following issues contributed to the outturn position:

- Over recovery from CYPS – the delay in finalising the restructure resulted in ACS incurring additional costs of £1.9m. These costs were recharged to CYPS resulting in an over-recovery of income.
- Additional Grants – ACS received over £0.5m in additional grants not originally budgeted for at the beginning of the financial year.
- Contributions from health – additional income was received from health over and above the original estimate of £2m especially linked to high cost packages of care.

- Supporting People Income – ACS received £0.3m additional income linked to services for older people and clients with a learning disability.

13 Non target - £1.54 under spend.

The key issues are detailed below:

- There is an under spend of £1.57m in central support and admin building recharges. In the main this relates to the original budget not taking into account the impact of ACS/CYPS restructure. There will be commensurate overspend in CYPS.
- There is an overspend of £0.1m relating to repairs and maintenance and design services recharge.

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Chief Executive's Office

	Original Budget	Outturn Position	Outturn v Original Budget	% Variance
	£'000	£'000	£'000	£'000
Employees				
- Direct	8,448	7,735	713	8%
- Other	280	235	45	16%
Total Employees	8,728	7,970	758	9%
Premises	287	223	64	22%
Transport	223	198	25	11%
Supplies & Services	7,077	7,572	-495	-7%
Agency & Contracted	0	0	0	0%
Purchase of Care	0	0	0	0%
Transfer Payments	0	20	-20	0%
Central Support	1,402	1,378	24	2%
Other	0	29	-29	0%
GROSS EXPENDITURE (excluding Capital Charges)	17,717	17,390	327	2%
Income				
- Specific Grants	125	58	-67	-54%
- Other Grants & conts	1,122	1,290	168	15%
- Sales	0	0	0	0%
- Fees & charges	703	831	128	18%
- Recharges	11,016	11,194	178	2%
- Other	118	456	338	288%
Total Income	13,083	13,829	746	6%
NET EXPENDITURE (excluding Capital Charges)	4,634	3,561	1,073	23%
Capital Charges	-63	1,478	-1,541	2465%
- Depreciation	0			0%
NET EXPENDITURE (including Capital Charges)	4,572	5,039	-467	-10%

Executive Summary

14 Having adjusted for capital financing charges the CEO has under spent against the original budget by £1m which is mainly due to:

- an under-spend of £0.8m on employee costs;
- additional income of £0.7m which is predominantly from increased recharges to Services;

Partially offset by:

- a £0.4m overspend on supplies and services for IT equipment renewals;
- expenditure of £0.1m relating to the Local Government Review Programme Office, for which there was no original budget allocation.

Reasons for Major Variations

- 15 **Employees**
The under-spend of £0.8m is mainly due to:
- several ICT staff having been seconded to the Resourcelink and DRIVE projects saving £0.2m;
 - a delay in filling vacant Customer Service posts, saving £0.5m;
 - vacant posts arising in Economic Development and Regeneration, saving £0.4m;
- partially offset by:
- an overspend of £0.3m associated with County Durham Development Company staff which were not included in the original budget. These costs have been fully recharged to the Company.
- 16 **Premises**
Actual outturn is lower than budget as the corporate contact centre has been located within the County Hall Estate and there is no need to pay rent for external accommodation as originally envisaged.
- 17 **Supplies and Services**
The overspend is mainly due to the need to fund IT equipment renewals across all Services, and expenditure relating to the Local Government Review Programme Office for which there was no original budget.
- 18 **Income**
Actual income is £0.7m higher than original budget mainly due to additional recharges from Customer Services as a consequence of much higher than anticipated capital charges, and recharges to the County Durham Development Company for staffing costs.

Children and Young People's Service

- 19 CYPS is split into 3 areas, the Dedicated Schools Grant which covers Schools (expenditure controlled by schools and Local Authority Services within the DSG, CYPS revenue budget (which covers the old LEA and Children's Social Services and Sure Start) and Connexions.

Executive Summary

- 20 After removing capital charges, which are referred to earlier in this report CYPS under spent in total by £ 3.264m:
- School Budgets present as having spent less than available budget, however this is because of the need to set aside £4.275m of funds mostly for another year of pay arrears, linked to Equal Pay/Job Evaluation. This is not recorded in the accounts as actual spend in 2007/08. If this factor is ignored, schools have spent about £0.8m more than their available funds in 2007/08.
 - Local Authority managed functions within the DSG (supporting pupils and schools) were in line with a budget of £18.37m.
 - The "target" budget managed by the Director of CYPS had a value of £64.266m. After removing grants that spread financial years, operating balances on trading operations, and an Invest to Save project balance that all roll forward into 2008/09, the net position shows an under spend of £0.33m (0.5%).
 - The non-target budget of £8.72m (excluding capital charges) overspent by £1.95m. A share of ICT charges where the budget was originally provided in Adult Services accounted for £1.2m of this figure.
 - Compared to the revised forecast of outturn, CYPS was £2.1m better than predicted. This was due to changes in the DSG, lower transport costs, slower than expected spend on the Adoption 'Invest to Save' project and variances on SureStart payments.

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Children and Young People's Service – Dedicated Schools Grant

	Original Budget	Outturn Position	Outturn v Original Budget	% Variance
	£'000	£'000	£'000	£'000
Employees				
- Direct	258,696	264,756	-6,060	-2%
- Other	9,496	11,674	-2,177	-23%
Total Employees	268,192	276,429	-8,237	-3%
Premises	19,749	18,998	751	4%
Transport	1,546	1,737	-191	-12%
Supplies & Services	39,325	50,311	-10,986	-28%
Agency & Contracted	3,019	3,437	-418	-14%
Purchase of Care	0	0	0	0%
Transfer Payments	2,358	2,521	-163	-7%
Central Support	3,559	7,111	-3,552	-100%
Other	5,752	3,707	2,046	36%
Revenue Contributions	0	1,045	-1,045	0%
GROSS EXPENDITURE (excluding Capital Charges)	343,501	365,297	-21,796	-6%
Income				
- Specific Grants	304,039	306,331	2,292	1%
- Other Grants & conts	2,682	37,123	34,441	1284%
- Sales	1,710	4,271	2,561	150%
- Fees & charges	1,326	3,186	1,861	140%
- Recharges	27,280	713	-26,567	-97%
- Other	7,064	13,895	6,831	97%
Total Income	344,101	365,519	21,418	6%
NET EXPENDITURE (excluding Capital Charges)	-600	-222	-378	63%
Capital Charges	0	0	0	0%
- Depreciation	0	0	0	0%
Equal Pay in Schools	0	-4,068	-4,068	0%
NET EXPENDITURE (including Capital Charges)	-600	-4,290	-3,690	615%

21 The Dedicated Schools Grant (DSG) for 2007/08 was not finally determined by Department for Children Schools and Families (DCSF) until July 2007. At this point pupil numbers (which drive the funding) and any balance of spend from the previous year could be determined.

22 The final position was as follows:-

	£m
Final allocation of DSG 2007/08	267.492
Deduct balance brought forward from 2006/07	.059
Final total of available funds	267.433

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- 23 The original County Council budget prepared in February 2007 was set at £268.647m, but this was before pupil numbers and other adjustments were determined and was therefore overstated by £1.21m. Budgetary control during the year has been managed against the most up to date figure i.e. £267.433m.
- 24 Most of the DSG contributes to the delegated budgets of schools and in 2007/08 this has a value of £249m, including interest. Any 'balances' at the year end remain with individual schools and the aggregated balance of schools in County Durham is £14.8m at the end of the 2007/08 financial year. Compared to budget available in 2007/08, schools have spent about £0.8m more. Comparative data issued by DCSF earlier this year, shows Durham schools have, on average, lower balances than other Local Authorities in the North East and the rest of England. Planning, distribution and management of the delegated funds provided to schools are a matter for individual school Governing Bodies. For the first time, at the end of this financial year, schools with balances beyond prescribed levels are required to justify their position and there is a possibility that funds may be recovered and redistributed to schools by the DCC Schools Forum.
- 25 An additional balance of £0.94m is held by Communities of Learning, who support Special Education Needs in schools on a Cluster basis and a refund of £0.25m relating to the School Catering Service level Agreement are also a feature of year end balances.
- 26 The DSG also funds a range of specific services and activities that support schools and pupils and are managed by the Local Authority. This includes provision for pupils with Special Education Needs, Education Out of School, the Pupil Referral Unit (PRU), Capitalised Repair and Maintenance of School Buildings, Independent Special School Fees and payments to Private/Independent Early Years Providers.
- 27 Government policy is that any over or under spends on activities funded via the DSG are carried forward into the next financial year. The DSG budget plans endorsed by the DCC Schools Forum reflect this arrangement. As a consequence, spend in this area does not impact on the budget requirement of the County Council, that is funded from Council Tax and other grant sources.

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28 The budget within DSG that is managed by the Local Authority is £18.37m in 2007/08.

Significant variations relate to:-

		Overspend (-) and Under spend £
Premises	<ul style="list-style-type: none"> • Structural repair and maintenance, design costs and minor works 	-165,000
Supplies and Services	<ul style="list-style-type: none"> • Fewer out of school placements and support service spending. 	300,000
Transfer Payments	<ul style="list-style-type: none"> • Payments to early years providers 	-163,000
Agency and Contracted Services	<ul style="list-style-type: none"> • Independent special school fees • Recoupment between other Local Authorities for Special Education needs provision. 	-282,600 -135,000
Other	<ul style="list-style-type: none"> • School contingencies – mostly rates revisions 	-71,439
Income	<ul style="list-style-type: none"> • Extra income for Support Services and grants 	260,000

29 The budget for structural repair and maintenance of school buildings is managed flexibly over more than one year, giving more ability to respond to emergencies and obtaining better VFM due to the levels of inflation on this type of activity. The original budget for 2007/08 was £3.8m, and spend was £3.669m. However, the budget was reduced to reflect advanced spend in 2006/07 of £0.48m

30 The DSG budget plan for 2008/09 that was agreed in March 2008, assumed a potential overspend of £0.565m, would be carried forward from the 2007/08 financial year. However, the position is improved due to the factors listed above and instead an overspend of only £6,000 is the position at out-turn. This will be reported to DCC Schools Forum who will have views on the impact of this position on the 2008/09 Budget Plan.

Children and Young People's Service – Non-Dedicated Schools Grant

	Original Budget	Outturn Position	Outturn v Original Budget	% Variance
	£'000	£'000	£'000	£'000
Employees				
- Direct	59,631	61,063	-1,432	-2%
- Other	4,467	7,682	-3,215	-72%
Total Employees	64,097	68,744	-4,647	-7%
Premises	2,760	4,330	-1,570	-57%
Transport	16,393	17,099	-706	-4%
Supplies & Services	56,401	59,030	-2,628	-5%
Agency & Contracted	10,021	10,889	-868	-9%
Purchase of Care	0	0	0	0%
Transfer Payments	2,182	3,251	-1,069	-49%
Central Support	13,793	22,587	-8,794	-64%
Other	0	702	-702	0%
GROSS EXPENDITURE (excluding Capital Charges)	165,648	186,632	-20,984	-13%
Income				
- Specific Grants	55,864	67,807	11,944	21%
- Other Grants & conts	6,330	6,526	195	3%
- Sales	3,944	3,999	55	1%
- Fees & charges	17,864	21,287	3,423	19%
- Recharges	6,759	10,785	4,026	60%
- Other	443	1,288	845	191%
Total Income	91,203	111,691	20,488	22%
NET EXPENDITURE (excluding Capital Charges)	74,445	74,941	-496	-1%
Capital Charges	9,504	45,992	-36,488	-384%
- Depreciation	0			0%
NET EXPENDITURE (including Capital Charges)	83,949	120,933	-36,984	-44%

- 31 The original budget of CYPS during 2007/08 was £83.349m. From within that figure several significant items such as capital charges, buildings repair and maintenance and central support services are under the direction of other Chief Officers and are therefore not managed by CYPS. The residual service target figure at the start of the year was £65.723m.
- 32 The narrative that follows describes the position on spending managed by the Director of Children and Young People's Services (service target). The overall service position shows an overspend of £37m against original budget, of which £36.6m related to revised accounting practices for capital charges.

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- 33 The Service Target Budget at out-turn shows an under spend of £1.46m against an original service budget of £65.7m. In practice this reduces as £1.12m is rolled forward into 2008/2009 because of operating balances on trading accounts, grants that spread financial years and a balance on an Invest to Save initiative.
- 34 £160,000 of “one-off” spend on Academic Mentoring, Post 16 Learning, IT at Impact Centres and E-learning was approved by Cabinet in February 2008, but spending will fall in the 2008/2009 financial year.
- 35 Employees - In a service as large and complex as Children and Young People’s Service, there are variations against original budget plans due to staff turnover, the level of school staff redundancy payments, employment of agency staff and the deployment of additional specific grants. The two most significant factors in 2007/08 are an apparent under spend of £1.57m in relation to Support Services staff, previously employed within Social Care and Health and now split between Adults and CYPS and expenditure of £4.84m on Sure Start staff which is all covered by grant income.
- 36 Premises - Compared to original budget, spending is higher because running costs of Children’s Centres feature here (£0.94mm), which is funded via grant income. Increased spend on contract cleaning and formal shared use schemes generate an overspend of £0.2m.
- 37 Transport - Every year, a key factor when determining the service out-turn position is the level of spend on transport, as it is difficult to predict and is affected by pupil and student choice. The school and college budget is very close this year, with a £28,000 under spend on a budget of £14.243m.

	Budget £m	Expenditure £m
Contract hire	9.448	9.453
Contract tickets and fares	4.95	4.773

- 38 The role of the relatively new Integrated Transport Unit in managing and co-ordinating contracts needs to be acknowledged. The costs of transport to schools and for parental visits for Children in Need and Looked After Children continues to be a concern, with an overspend of £0.29m. Sure Start transport costs of £0.18m are covered by grant.
- 39 Supplies and Services - The timing of several grant related expenditure streams, such as Standards Fund that can be deployed across more than one financial year, and extra grant funds received during the year necessitated the original budget to be revised by £3.9m; Sure Start spending accounts for £2.55m which is covered by income.

- 40 Transfer Payments - The overspend in this area relates to Direct Payments made to families who have chosen to provide care directly (£0.27m) and payments to Early Years Providers, funded by grant (£0.13m). Sure Start grant income funds an extra £0.23m in this part of the budget.
- 41 Central Support - The apparent overspend relates mainly to grant funded activities and the Staff Absence Scheme (£1.4m) which is financed by schools. A recharge of £1.8m from Adult and Community Services also features here, but is offset by compensating under spends across other areas of the budget, particularly employees.
- 42 Income - Income has exceeded original expectations. £10.7m is largely due to the receipt of specific grant allocations in year, additional fees generated by Service Level Agreements with schools, sale of welfare beds within Secure Services and recharges in respect of support to grant funded activities. A further £9.1m relates to Sure Start Local Programmes.
- 43 Service Savings - The service was required to deliver efficiency savings of £2.28m in 2007/08 and all but one delayed staffing adjustment has been achieved as expected, producing a shortfall against target of only £11,787.

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Connexions

	Original Budget	Outturn Position	Outturn v Original Budget	% Variance
	£'000	£'000	£'000	£'000
Employees				
- Direct	4,229	4,583	-353	-8%
- Other	54	51	3	6%
Total Employees	4,283	4,634	-350	-8%
Premises	455	491	-36	-8%
Transport	100	115	-15	-15%
Supplies & Services	326	500	-174	-54%
Agency & Contracted	0	0	-0	-1075%
Purchase of Care			0	0%
Transfer Payments	0	0	0	0%
Central Support	0	33	-33	0%
Other	0	0	0	0%
GROSS EXPENDITURE (excluding Capital Charges)	5,164	5,773	-609	-12%
Income				
- Specific Grants	5,187	5,086	-101	-2%
- Other Grants & conts	32	448	415	1280%
- Sales	51	21	-30	-60%
- Fees & charges	12	42	30	262%
- Recharges		175	175	0%
- Other			0	0%
Total Income	5,282	5,771	489	9%
NET EXPENDITURE (excluding Capital Charges)	-118	2	-120	101%
Capital Charges	0	0	0	0%
- Depreciation	0			0%
NET EXPENDITURE (including Capital Charges)	-118	2	-120	101%

- 44 Connexions County Durham is a service which is currently commissioned by the DCSF (Department for Children, Schools and Families) to deliver services to the whole 13-19 age group. The specification for the service is revised and issued annually by the DCSF, and includes statutory requirements and responsibilities, as well as DCSF requirements and priorities. Its principal objective is to encourage and support more young people to continue in learning past the age of 16 and to reduce the numbers of young people aged 16-18 known not to be in employment, education and training.
- 45 Connexions is grant funded so it has an overall net nil effect on the Durham County Council accounts.

Contract Activity

- 46 Funding for the commissioned service is provided through an annual agreement involving a clear business plan, financial memorandum and agreed financial and grant conditions.
- 47 Connexions have under spent against their grant allocation by £0.26m. There is no carry forward available as current funding arrangements have now changed.
- 48 From April 2008, Connexions is funded via Area Based Grant and is fully incorporated into the CYPs Revenue Budget.

Non-Contract Activity

- 49 In addition to this, Connexions is able to enter into other contracts to deliver areas of work that supplement or complement its work with young people. Budget surpluses can be made on these contracts.
- 50 A surplus of £0.09m was generated on non-contract activity (funded from sources other than Connexions grant) during 2007/08 and this was transferred to the non-contract reserve to be used in future years.

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Corporate Services

	Original Budget	Outturn Position	Outturn v Original Budget	% Variance
	£'000	£'000	£'000	£'000
Employees				
- Direct	11,468	11,238	230	2%
- Other	386	874	-488	-127%
Total Employees	11,854	12,112	-258	-2%
Premises	4,110	4,270	-160	-4%
Transport	337	324	13	4%
Supplies & Services	3,615	3,607	8	0%
Agency & Contracted	100	128	-28	-28%
Purchase of Care	0	0	0	0%
Transfer Payments	0	0	0	0%
Central Support	6,793	6,498	295	4%
Other	0	10	-10	0%
GROSS EXPENDITURE (excluding Capital Charges)	26,808	26,949	-141	-1%
Income				
- Specific Grants	0	0	0	0%
- Other Grants & conts	0	8	8	0%
- Sales	85	1	-84	-99%
- Fees & charges	5,805	5,369	-436	-8%
- Recharges	13,838	13,422	-416	-3%
- Other	641	631	-10	-2%
Total Income	20,369	19,431	-938	-5%
NET EXPENDITURE (excluding Capital Charges)	6,438	7,518	-1,080	-17%
Capital Charges	562	2,173	-1,612	-287%
- Depreciation	0			0%
NET EXPENDITURE (including Capital Charges)	7,000	9,691	-2,691	-38%

Executive Summary

51 Having adjusted for capital financing charges Corporate and Other Services has overspent against original budget by £1.1m mainly due to:

- a reduction in capital works for Design Services and consequent under-recovery of income by £0.6m;
- an overspend on the Coroner's Service of £0.1m due to additional payments for long inquests and increased mortuary charges;
- additional costs of £0.1m associated with Democratic Representation;

- increased premises costs of £0.2m.

Reasons for Major Variations

- 52 Employees - Outturn is £0.3m higher than original budget, but only £0.1m higher than the revised budget. This is mainly due to the additional costs associated with employing agency staff in Design Services.
- 53 Premises - Outturn is £0.2m higher than original budget due to:
- increased fire insurance charges on properties of £0.2m;
 - higher than anticipated repair and maintenance costs of £0.2m;
- This is partially offset by under-spends on:
- contract cleaning of £0.1m; and
 - energy costs of £0.1m.
- 54 Central Support - Actual recharges to Corporate Services were £0.3m lower than originally estimated.
- 55 Income - The shortfall in actual income against original budget is £0.9m. This is mainly due to an under-recovery of income in Design Services resulting from a reduction in capital works, and reduced recharges to Services in line with a reduction in expenditure.

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County Treasurer and Other Services

	Original Budget	Outturn Position	Outturn v Original Budget	% Variance
	£'000	£'000	£'000	£'000
Employees				
- Direct	4,336	4,298	38	1%
- Other	1,397	1,448	-51	-4%
Total Employees	5,733	5,746	-13	0%
Premises	42	48	-6	-15%
Transport	17	17	-0	-1%
Supplies & Services	861	770	91	11%
Agency & Contracted	419	361	58	14%
Purchase of Care	0	0	0	0%
Transfer Payments	0	0	0	0%
Central Support	1,058	710	348	33%
Other	0	-13	13	0%
GROSS EXPENDITURE (excluding Capital Charges)	8,130	7,639	491	6%
Income				
- Specific Grants	0	0	0	0%
- Other Grants & conts	0	0	0	0%
- Sales	3	0	-3	-100%
- Fees & charges	1,786	1,933	147	8%
- Recharges	5,384	4,960	-424	-8%
- Other	83	17	-66	-79%
Total Income	7,256	6,910	-346	-5%
NET EXPENDITURE (excluding Capital Charges)	874	729	145	17%
Capital Charges				
- Depreciation	0	4	-4	0%
NET EXPENDITURE (including Capital Charges)	874	733	141	16%

Executive Summary

56 Revenue outturn is £0.1m lower than original budget which is mainly due to:

- lower than anticipated expenditure on supplies and services;
- a refund in DCC's contribution from the Control of Emergencies Unit due to their lower than anticipated expenditure;
- increased recharges to the Pension Fund to reflect the additional work in managing the transition to the new investment managers.

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Environment

	Original Budget	Outturn Position	Outturn v Original Budget	% Variance
	£'000	£'000	£'000	£'000
Employees				
- Direct	16,976	15,911	1,065	6%
- Other	351	498	-147	-42%
Total Employees	17,327	16,409	918	5%
Premises	426	1,029	-603	-142%
Transport	734	843	-109	-15%
Supplies & Services	3,611	3,003	608	17%
Agency & Contracted	39,346	44,683	-5,337	-14%
Purchase of Care	0	0	0	0%
Transfer Payments	0	0	0	0%
Central Support	9,043	8,648	395	4%
Other	0	40	-40	0%
GROSS EXPENDITURE (excluding Capital Charges)	70,487	74,655	-4,168	-6%
Income				
- Specific Grants	3,476	3,488	12	0%
- Other Grants & conts	819	1,509	690	84%
- Sales	131	9	-122	-93%
- Fees & charges	5,350	12,632	7,282	136%
- Recharges	11,403	10,863	-540	-5%
- Other	752	2	-750	-100%
Total Income	21,931	28,503	6,572	30%
NET EXPENDITURE (excluding Capital Charges)	48,556	46,152	2,404	5%
Capital Charges	6,179	8,654	-2,475	-40%
NET EXPENDITURE (including Capital Charges)	54,735	54,806	-71	0%

Executive Summary

- 57 Comments made in relation to the out-turn situation are as compared to the original budget and not against any revisions which might have taken place during the year.
- 58 After taking into account one-off adjustments relating to Capital financing the Service is showing an overall under spend of £2.4m.
- 59 The variances have tended to be unplanned or fortuitous and largely outside of the Service's control such as a much reduced energy bill at a time of volatile market conditions (£2.0m) and a reduction in the Public Liability Insurance Premium (£1.1m). Higher than normal staff turnover has also contributed to this level of under spend with a variance of (£1.0m)

- 60 Some of the under spends now being reported were identified earlier in the year in the Quarterly Monitoring Reports and resulted in re-allocation of resources to meet County Council priorities. An example of this is the £1.0m allocated to Footway Maintenance following an Overview and Scrutiny recommendation and is reflected as part of Capital financing as is the £0.7m allocated for Hardwick Country Park.
- 61 A re-valuation of surplus permits held under the Landfill Allowance Trading Scheme has resulted in £1.2m being added into the year end figures and a reduction of £0.5m in the anticipated Airport Shares Dividend is reflected in reduced income.

Reasons for Major Variations

- 62 Employee Costs - £1.065m under spent - This is mainly in relation to unexpectedly high staff turnover, the difficulty in recruiting suitably qualified staff in some areas and the delay in the completion of the Hardwick Country Park project.
- 63 Premises - £0.603m under spent
- 64 Transport - £0.109m under spent
- 65 Supplies and Services - £0.608 overspent
- 66 The balance of the under spend against the above three headings can be attributed to savings in fleet operating costs in the Integrated Transport Unit with the other variances being self balancing.
- 67 Agency and Contracted Services - £5.337m overspent - This is due to a combination of additional rechargeable works which fall outside of the County Council's budget and some significant savings in other areas which has produced a net variance of £5.337m. The major under spends in this area are:
- the much reduced energy bill from that which was budgeted for (£2.0m)
 - reduced Public Liability Insurance Premium (£1.1m)
 - Rechargeable Works carried out during the year on behalf of Developers and other third parties were higher than expected at £7.6m but the County Council is able to fully recover the costs which has resulted in income being increased by a similar amount.
- 68 The County Council has built up a surplus of allowances under the Landfill Allowance Trading Scheme (LATS) since the scheme's introduction in 2005 and these have been valued for the previous two years in accordance with CIPFA guidance. The current trading situation with LATS is extremely limited with very few transactions in

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2007/08. The advice from both CIPFA and the Council's external auditors is that the lack of any demand from trading would suggest that the current surplus should be re-valued at a zero rate and this has been reflected in the year end accounts to an overall value of £1.2m.

- 69 Income - £6.572m more than budget. This is in the main reflected by the increase in Rechargeable Works as detailed above and also through the reduction in Airport Shares Dividend (£0.5m).

Service Direct

	£000
Expenditure	60,982
Less:	
Income	62,182
Surplus	1,200

- 70 Service Direct's activities have generated a surplus of £1.2m for the year. An amount of £0.621m was taken from Service Direct's earmarked reserve towards the loan charges for the new headquarters at Meadowfield.
- 71 It is also estimated that a further £0.698m will be required to meet the costs of Equal Pay.
- 72 After taking account of all the above together with other minor adjustments, there is a net reduction in Service Direct's reserves of £0.149m, leaving a balance of £1.865m at 31st March 2008.

Non Service Costs

Uncertain Liabilities - Insurance

	2006/07 £000	2007/08 £000
Balance as at 1 st April 2007	9,774	9,723
Transfers in	6,733	6,369
Transfers out	-6,096	-5,236
Balance as at 31st March 2008	9,723	10,856

- 73 The transfer to the Insurance Reserve in 2007/08 is £1.133m.
- 74 The majority of the contribution to the reserve is due to a revision in the value of reserve placed on a fire claim made in 2006/07. At the end of the financial year there was uncertainty about the level of liability the County Council had in relation to the claim. The position has now been confirmed and the relevant provision adjusted by £0.653m.
- 75 In 2007/08 there has been a one-off refund of £0.253m in relation to claims handling costs. The refund relates to a number of years and is not expected to be repeated.
- 76 The balance transferred to the insurance reserve represents a contribution the cover uncertain liabilities up to the stop-loss of £4.25m.

Capital Financing

- 77 Capital financing exceeds the budget for 2007/08 by £1.181m. This is due in the main to revenue contributions to capital expenditure which were not part of the original budget plans. During 2007/08 Members approved £1m of additional expenditure on highways and footpaths to be met from anticipated underspends. This is where the financing of that expenditure is accounted for.

Financing

Local Authority Business Growth Incentive (LABGI)

- 78 During 2007/08, the County Council received £0.256m of LABGI payments. CLG have announced provisional allocations for 2007/08, although actual payments have not been received. Provision has been made in 2007/08 for £1.17m due to the County Council. This income was not included in the original budget.

Section 4: Capital Expenditure

- 1 The table below shows the capital expenditure, by service, in 2007/08. Capital expenditure for 2007/08 was £77.1m, £7.7m less than original budget.

Service	Original Budget	Outturn	Variance - Outturn v Original Budget	Variance
	£000	£000	£000	%
Adult and Community Services	5,842	2,121	3,721	64
Chief Executives Office	1,907	3,347	-1,440	-76
Children and Young People's Service	42,464	39,317	3,147	7
Connexions	0	0	0	0
Corporate Services	10,066	1,615	8,451	84
County Treasurer and Other Services	1,879	3,357	-1,478	-79
Environment	21,401	26,599	-5,198	-24
Service Direct	707	704	3	0
Other Minor Works (to be allocated)	500	0	500	100
TOTAL	84,766	77,060	7,706	9

- 2 During the year additional schemes and sources of funding were agreed and a revised budget of £98.9m set in February 2008 as part of the 2008/09 budget process. Actual spend was £21.9m lower than this revised budget but £23.8m of committed spending needs to be slipped to 2008/09 showing an effective overspend against the revised budget of £1.9m once all the projects are complete. Much of this overspend can be attributed to additional grant or contribution funding being received.
- 3 A summary of the reasons for the difference between original budget and revised budget are included in the table below:

	£000
Original budget	84,766
Add	
Slippage from previous years	29,440
Revisions in year (net)	-15,275
Less	
Slippage to future years	-23,819
	75,112

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- 4 Slippage continues to be necessary to ensure that funding is carried forward for schemes that have been rephased or have experienced delays, either in planning or in the construction phase.

Capital financing

- 5 Details of capital financing of the original budget and the outturn figures are shown in the table below:

Financing	Original Budget	Outturn	Variance	Variance
	£000	£000	£000	%
Grants	24,810	38,578	-13,768	-55
Contributions	534	1,294	-760	-142
Direct Revenue Funding	382	2,766	-2,384	-624
Direct Revenue Funding - DSG	3,893	3,669	224	0
Reserves	1,295	1,496	-201	-16
Borrowing - supported (SCE-R)	18,615	18,615	0	0
Borrowing - unsupported	10,271	0	10,271	100
Capital Receipts	24,966	10,642	14,324	57
TOTAL	84,766	77,060	7,706	9

- 6 Changes in financing are largely determined by changes in the capital programme.
- The use of grants and contributions has increased due to the award of grants for capital received after the setting of the original budget.
 - The use of Direct Revenue Funding has increased due to decisions made by the County Council.
 - The use of the Dedicated Schools Grant has decreased as a result of decisions made by schools.
 - The use of reserves has increased to finance the Corporate Contact Centre, agreed after the original budget was set.
 - The planned use of unsupported borrowing has not been necessary due to an increased grant allocation to BSF Schemes and slippage on capital schemes.
 - The use of capital receipts is less than budgeted due to slippage in the capital programme.

Adult and Community Services

1 The service outturn position is detailed in the table below.

Original Budget	Revised Budget	Final Outturn	Variation from original		Variation from revised	
£000	£000	£000	£000	%	£000	%
5.842	3.921	2.121	3.720	63.4	1.800	45.9

2 The key issues which impacted upon the final outturn position are detailed below:

- A review of the vehicle fleet requirement both within the Integrated Transport Unit and in ACS resulted in minimal spend in this area. There is a final under spend of £0.7m on the original budget which will be utilised during 2008/9.
- Investment Plans are being developed within ACS for the capital grants provided by the Department of Health in relation to improving the Services approach to Information Technology. Future developments however will depend upon the results of pilots into areas such as mobile computing and home care monitoring. The final underspend in this budget against original was £0.14m.
- Reviews are underway in relation to Day Service Improvement in Mental Health Services. Capital decisions in relation to the use of capital budgets in this area are on hold. Final decisions must be made with partners in health with the final underspend against original budget being £0.1m.
- A budget of £2m was available for investment in the council's in-house residential homes. A Scrutiny review has been completed in this area but was not finalised until late in the financial year. At this stage none of the available budget has been expended.
- Plans for Library Modernisation have been delayed on a range of fronts resulting an underspend of £0.3m.
- A budget of £1.1m was available for investment in Travellers sites. The development plans were only recently agreed with only initial design works of £0.05m being expended.

Chief Executive's Office

- 3 Capital outturn is £1.4m over spent against original budget. However this budget was increased by £2.2m mainly due to slippage on schemes being brought forward from 2006/07 and additional grant funding being awarded. This resulted in a net under spend against revised budget of £0.8m.
- 4 This under spend is mainly due to:
- £0.2m on several Economic Development projects due to slippage, this balance will be carried forward and used to fund expenditure in 2008/09;
 - £0.6m on the replacements of IT equipment, which have been reclassified as revenue expenditure, £0.2m of this balance will be carried forward into 2008/09 to fund IT equipment renewals.

Children and Young People's Services (CYPS)

- 5 The CYPS capital budget is revised in September and November to reflect any new capital schemes which have been approved and any reprofiling that has taken place after the original budget was approved. As a result of this the revised budget is higher than the original budget. Projects such as the Vocational Skills Centres at Durham Community Business College (£0.3m), Teesdale School (£0.2m) and Wellfield Community School (£0.2m), a Virtual Learning Environment project at Teesdale School (£0.3m) and Specialist College projects at various schools (£0.7m in total) were approved after the original budget had been set.
- 6 There was slippage from 2006/07 to 2007/08 on projects such as Stephenson Way Primary (£0.2m) and various schemes at Aycliffe Young People's Centre (£0.4m). These amounts were not included in the original budget for the year as they were not known at the time. There was also significant slippage which increased the 2007/08 budgets for Durham Johnston (£0.5m), Byers Green Primary (£0.2m) and Eden Community Primary (£0.2m).
- 7 When new capital funding is awarded it may be available over several years, although at the time a detailed profile of the predicted expenditure is not finalised. At this stage the funding is brought into the budget in the year that it is awarded and it is profiled between financial years at a later date when more detailed information is available. The allocations for schemes at Eden Community Primary, Princess Road Juniors and Durham Johnston Comprehensive shown in the original budget were reprofiled and budget moved to 2008/09 once revised cash flows for the schemes had been received from Corporate Services.
- 8 Delays in carrying out works have led to slippage on some schemes, for example the phase 2 Children's Centre projects where £1.9m has been slipped to 2008/09 (£1.5m of this was slipped in November). There was slippage of £6.7m (£3.5m of this in November) on Durham Johnston new build and £5.6m (£5.4m of this in November) on the Modernisation budget, which will be allocated to fund capital projects in 2008/09. Other projects where budget was slipped from 2007/08 to 2008/09 at the year end include National Grid for Learning Broadband (£0.5m), Eden Community Primary (£0.4m) and Schools Access (£0.3m). School devolved capital was underspent by £6.2m in 2007/08 and this has been rolled forward to 2008/09 (£4.65m was slipped in November).
- 9 There was an overspend of £0.2m on the revised budget for Woodham Burn Junior and Infants. This was due to the early start of phase 2

works and Cabinet approval for a budget increase was given after the period when budget revisions could be made. Expenditure on structural maintenance of school properties was £0.25m higher than the revised budget in 2007/08 but this will be managed within the Dedicated Schools Grant (DSG).

10 CYPs capital outturn of £39.3m appears to be lower than both the original and revised budgets and the projected outturn position, but this is due to the following:

- There is slippage of £7.9m from 2007/08 to 2008/09, taking this into account produces an overspend of £2.3m.
- Expenditure of £1.3m on schools devolved capital was funded from capital and revenue contributions from schools which was not reflected in the original budget.
- Expenditure was incurred by CYPs on energy conservation, DDA and fire safety works. The budget for these works is held in Corporate Services, an underspend in Corporate Services mirrors this overspend.
- This also applies to overspends on non-DSG structural maintenance and schools fire safety projects which were budgeted in Corporate Services while expenditure was incurred by CYPs.
- Expenditure on various capital projects at Aycliffe Young People's Centre was £0.3m higher than the revised budget but this overspend was funded from the AYPC Reserve.

Corporate Services

- 11 Capital outturn is £8.4m under budget. Of this £0.7m relates to budgets held by Corporate Services for Energy Conservation, Fire Safety, DDA and emergency repairs. The expenditure for these items form part of other services capital expenditure.
- 12 Of the remaining £7.7m under spend against original budget, this is mainly due to under spends on the Avenue and St. John's Square projects for which the total budget was included in 2007/08. However actual expenditure will be incurred over a 3-year period. Therefore the unspent balances will be carried forward to fund the remaining expenditure on these projects.

County Treasurer and Other Services

- 13 Capital outturn is £1.5m over original budget. This is due to additional expenditure in relation to the DRIVE and Resourcelink projects for which additional budget was approved and allocated during the year.
- 14 There is an under spend against the revised budget of £0.9m, which will be carried forward into 2008/09 to fund final payments in relation to the DRIVE project.

Environment

- 15 The overall capital budget for the Environment Service is showing an overspend against the original budget of £5.2m. One of the main reasons for this is the addition of the A688 Wheatley Hill to Bowburn highway improvement at £7.859m which is largely funded through the Local Transport Plan (LTP) process and funding had not been approved until after the budget was finalised. Also since the budget was set confirmation of funding has been received from the Department for Transport of £1.1m for capital works on the former trunk road A167 and for £0.25m for additional costs on the Durham Park and Ride scheme. In addition the £1.0m for Footway repairs funded through revenue savings in 2007/08 has also been included as has the £0.7m for Hardwick Park both of which were approved by Cabinet during the course of the year.
- 16 Some slippage has occurred which will need to be carried forward into next year. This has included the A688 Wheatley Hill to Bowburn highway improvement consequent upon the late approval of funding, provision made for anticipated claims under Part 1 of the Land Compensation Act for the Chilton By-Pass and Park and Ride schemes, delays in completion of the Resource Centre at Hardwick Country Park and a re-phasing of some schemes in the Urban and Rural Renaissance Initiative programme. In addition the budget provision for new and improved Household Waste Recycling Centres including green composting facilities has largely been unspent because of difficulties in finding suitable sites.

Section 5: Prudential Code

Prudential Indicators for Capital Finance

- 1 The Prudential Code is designed to guide the Council's decision on what it can afford in terms of its capital programme and borrowing. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 specifies the Prudential Code for Capital Finance in Local Authorities, issued by CIPFA, as the code of practice to which local authorities must have regard when setting and reviewing their affordable borrowing limit.
- 2 The key objectives of the Prudential Code are to ensure that within a clear framework the capital investment plans of the Council are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability.
- 3 To demonstrate that the above objectives have been fulfilled, the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account. The Code does not include limits, these are for the Council to set and monitor.
- 4 The Prudential Indicators for the coming financial year and the two subsequent years are set out annually in the Medium Term Financial Plan. This report details actual capital expenditure against estimates as set out in the 2007/08 Budget Book, and shows the revised indicators that follow from actual capital expenditure.
- 5 The capital expenditure incurred in 2007/08 and the estimates of capital expenditure to be incurred for the current and future years are outlined below.

Capital Expenditure				
	2007/08 Actual £'000	2008/09 Estimate £'000	2009/10 Estimate £'000	2010/11 Estimate £'000
Budget Book 2007/08	84,767	64,415	52,238	-
Current Estimate	77,060	127,410	70,963	49,230

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- 6 The Capital Financing Requirement for the Council for the current and future years and the actual Capital Financing Requirement at 31 March 2008 are:

Capital Financing Requirement				
	2007/08 Actual £'000	2008/09 Estimate £'000	2009/10 Estimate £'000	2010/11 Estimate £'000
Budget Book 2007/08	253,378	264,505	275,912	-
Current Estimate	235,662	268,707	275,200	278,941

- 7 Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2007/08 are:

	2007/08 Actual %	2008/09 Estimate %	2009/10 Estimate %	2010/11 Estimate %
Budget Book 2007/08	5.83	6.55	6.90	-
Current Estimate	4.11	4.95	6.08	6.40

- 8 The Council has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

External Debt

- 9 In respect of external debt, the County Council approved the following Authorised Limits for its total external debt gross of investments for the next three financial years.

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Authorised Limit for External Debt				
Total including long-term liabilities	2007/08 Actual £'000	2008/09 Estimate £'000	2009/10 Estimate £'000	2010/11 Estimate £'000
Budget Book 2007/08	237,000	254,000	276,000	-
Current Estimate	230,000	237,000	270,000	287,000

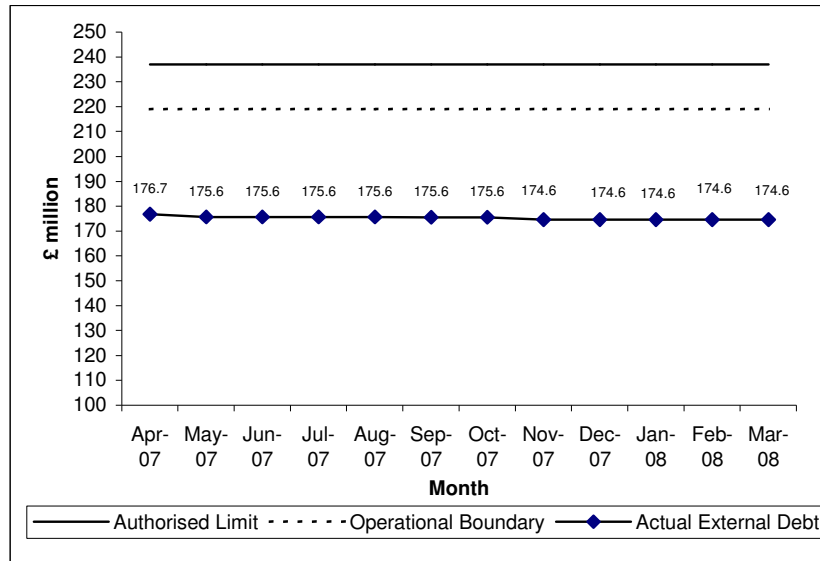
- 10 The Operational Boundary for external debt is based on the same estimates as the Authorised Limit but reflects directly the County Treasurer's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the Authorised Limit.

Operational Boundary for External Debt				
Total including long-term liabilities	2007/08 Actual £'000	2008/09 Estimate £'000	2009/10 Estimate £'000	2010/11 Estimate £'000
Budget Book 2007/08	219,000	246,000	266,000	-
Current Estimate	177,000	228,000	264,000	282,000

- 11 The Council's actual external debt at 31 March 2008 was £174.6m, comprising £174.6m borrowing and no other long-term liabilities. It should be noted that actual external borrowing differs from the Authorised Limit and Operational Boundary, since actual debt reflects the position at one point in time.

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- 12 The chart below compares actual external debt in 2007/08 with the original Authorised Limit and Operational Boundary, as at 31 March:



- 13 Public Works Loan Board (PWLB) debt constitutes the majority of external debt. The main PWLB repayment dates are in May and November. Therefore between these months the total level of debt remains relatively stable.
- 14 Debt remains within the original and revised Operational Boundary estimates.

Council Tax

- 15 The Prudential Indicators for incremental impact on Council Tax have not changed during 2007/08.

Treasury Management Activities

Background

- 1 Since the beginning of September the global credit crisis has led to unusually high interest rates being paid compared to the Bank of England base rate, resulting in increasing returns. However the rates have now started to ease back.
- 2 Cash balances were boosted at the end of November with the receipt of £16m for the sale of the former Service Direct site at Framwellgate Moor.

	2007/08				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative 2007/08
Interest Earned	£1,747,000	£1,946,000	£2,246,000	£2,134,000	£8,074,000
Average Return Earned	5.517%	5.896%	6.190%	5.957%	5.904%
Average Bank of England base rate	5.393%	5.739%	5.679%	5.352%	5.542%
Balance Invested at Quarter End	£126,216,000	£120,026,000	£144,073,000	£140,301,000	£140,301,000
Average Daily Balance of Investments	£127,523,000	£131,826,000	£146,267,000	£143,905,000	£137,389,000

- 3 Interest earned is before year-end adjustments including payment of £1,083,000 interest on other County Council balances. The interest earned, net of these adjustments, is £6,991,000.

Section 6: County Council Services

During the year the County Council provided many services direct to the public ourselves, but also 'commissioned' or hired other organisations to provide services on our behalf.

As an organisation, we had three main service groupings:

- **Adult and Community Services** – providing health and social care services for adults, cultural and leisure services such as libraries and museums and a range of community support services for particular groups of people and the wider community in County Durham.
- **Children and Young People's Services** – providing nursery, primary and secondary education for children and young people, student support and youth services, education in the community, meeting children and young people's health and social care needs, supporting families, fostering and adoption, Child Protection and Building Schools for the Future (our redevelopment programme for secondary schools).
- **Environment** – looking after the environment of our countryside, towns and villages, controlling and planning development in the County, maintaining and developing the network of roads, cycle ways and footpaths, promoting and developing the use of public transport and disposing of household and commercial waste.

In addition, we had three management and administrative support services and a commercial trading arm:

- **Chief Executive's Office** – providing corporate policy and strategy for the Council, public relations and design and print, information and communications technology, economic development and regeneration services, management of major initiatives such as the Local Area Agreement and the County Durham Strategic Partnership.
- **Corporate Services** – providing legal, personnel and procurement services for the Council, managing the Council's property and assets, building design services, registration of births, deaths and marriages and democratic services such as support for councillors and the Council's various committees and decision-making bodies.
- **County Treasurer** – managing the Council's finances, audit and risk and providing specific financial services such as income and payments, payroll and pensions.
- **Service Direct** – providing highways and bridges maintenance and construction, street lighting, grounds maintenance, building maintenance and building specialist services, catering, cleaning, and

vehicle management services for the Council on a contractual basis through open competition and procurement.

To give an idea of the scale of services provided, the County Council:

Adult and Community Services

- help over 35,000 vulnerable people to remain independent in their own home
- care for more than 3,300 people in residential and nursing care
- provide more than 3 million hours of home care each year
- protect vulnerable adults from abuse and harm
- provide 39 static and 10 mobile libraries, loaning over 4 million library items each year
- provide free internet access in libraries
- run three museums – Binchester Roman Fort, dli Museum and Art Gallery and Killhope Lead Mining Museum
- receive 4 million visits to libraries and attractions
- handle 840,000 information and advice enquiries annually
- raise £9.2 million in 2005/06 in social security benefits for the people of County Durham
- promote safer communities through partnership working

Services for Children and Young People

- improve the opportunities for all our children and young people
- educate almost 74,000 pupils in 295 schools
 - 12 nursery
 - 236 primary
 - 36 secondary
 - 10 special
 - 1 Pupil Referral Unit
- provide learning opportunities from three years old
- work to improve levels of attainment
- safeguard and promote the welfare of our children and young people
- protect children and young people from neglect and harm
- support families and prevent family breakdown
- act as 'corporate parent' to care for 'looked after' children

Environment

- maintain 3,693km (2,295 miles) of roads, 3,375km (2,098 miles) of footpaths and
bridleways and 162km (100 miles) of railway paths and cycle ways
- improve the transport network and bus services
- maintain 78,850 streetlights and 1,140 bridges

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- handle 330,000 tonnes of waste annually of which 25% is recycled or composted
- safeguard the environment
- promote a safe and fair trading environment

Chief Executive's Office

- Assist businesses to create over 1,250 jobs (2005/06)
- Secure external funding to promote the local economy

Appendix 1: Implications

Finance

Local Government Reorganisation

(Does the decision impact upon a future Unitary Council?)

Details the increase in reserves

Finance

The report provides information about the County Council's outturn for revenue and capital for 2007/08.

Staffing

None

Equality and Diversity

None

Accommodation

None

Crime and disorder

None

Sustainability

None

Human rights

None

Localities and Rurality

None

Young people

None

Consultation

None

Health

None