

Cabinet

11 July 2012

2011/12 Final Outturn for General Fund and Housing Revenue Account



Report of Corporate Management Team

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Purpose of the Report

- 1 To provide Cabinet with details of the Final Outturn for both the General Fund and the Housing Revenue Account (HRA) for 2011/12 including an Annual Treasury Management Review. The report will consider both Revenue and Capital.

Background

- 2 The County Council faced a major challenge in setting the 2011/12 budget. After taking into account estimated budget pressures faced, the Council was required to achieve £66.4m of savings in 2011/12 and £123.4m of savings over the whole of the MTFP 2011/12 to 2014/15. This is the equivalent of almost 30% of the Council's 2010/11 Net Revenue Expenditure Budget.
- 3 Projected outturn figures for the County Council based upon information as at 31 December 2011 were reported to Cabinet on 29 February 2012 and at that time forecasted an increase in Cash Limit Reserves of £1.3m and an addition to General Reserve of £1.7m.
- 4 The final outturn for 2011/12 is being determined as part of the production of the Statement of Accounts. During the process of finalising the Statement of Accounts, the Corporate Director Resources will be required to make a number of technical decisions in the best financial interests of the Council. Such decisions will be fully disclosed in the Statement of Accounts.

General Fund Outturn

- 5 This section of the report shows the following:
 - (i) Cash Limit Outturn for Service Groupings;
 - (ii) Overall Revenue Outturn for the General Fund with summarised Service Grouping commentary;
 - (iii) Overall Capital Outturn of the General Fund with summarised Service Grouping commentary;

Cash Limit Outturn

6 The overall outturn for the County Council is detailed in Appendix 2 and details how the Cash Limit Outturn for each Service Grouping is calculated. Two key elements must be excluded from the Service Grouping Outturn to calculate the Cash Limit Outturn as detailed below:

(i) Sums Outside the Cash Limit

Expenditure and Income can be excluded from the Cash Limit for a number of reasons. Some of these are detailed below:

- Items not controlled by the Service Groupings e.g. Capital Charges, Central Administration Recharges and items relating to International Financial Reporting Standards (IFRS).
- Expenditure pressures which were not accounted for in base budget build e.g. Housing Benefit Subsidy cost pressures.

(ii) Use of or Contribution to Earmarked Reserves

Service Groupings will have either utilised or contributed to Earmarked Reserves, which need to be outside the calculation of the Cash Limit.

7 After taking into account the above exclusions, all Service Groupings have generated a Cash Limit surplus when compared to base budgets in 2011/12. The 2011/12 Cash Limit budget surpluses for each Service Grouping is detailed below:

| Service Grouping | Opening Balance as at 1 April 2011 | Budgeted use of cash limit reserves | Movement during 2011/12 | Closing Balance as at 31 March 2012 |
|-------------------------------------|---|--|--------------------------------|--|
| | £m | £m | £m | £m |
| Assistant Chief Executive | -0.894 | - | -0.239 | -1.133 |
| Adults, Wellbeing and Health | -5.423 | - | -0.981 | -6.404 |
| Children and Young People | -1.253 | 0.933 | -1.368 | -1.688 |
| Neighbourhoods | -1.292 | - | -0.913 | -2.205 |
| Regeneration & Economic Development | -2.391 | - | -0.569 | -2.960 |
| Resources | -0.873 | - | -0.623 | -1.496 |
| TOTAL | -12.126 | 0.933 | -4.693 | -15.886 |

Revenue Outturn

- 8 Appendix 2 provides a detailed Outturn position for the County Council's General Fund by Service Grouping. In addition, Appendix 3 provides a detailed Outturn position for the County Council by type of expenditure and income. The table below provides a summary of the Final Outturn position:

| | £m | £m |
|---|---------|-------------------|
| Gross Expenditure | | 1,428.308 |
| Less: | | |
| Gross Income | | <u>-1,005.665</u> |
| Net Expenditure | | 422.643 |
| Financed by: | | |
| Redistributed Non-Domestic Rates | 179.861 | |
| Revenue Support Grant | 55.596 | |
| Council Tax | 198.870 | |
| Net Surplus on Collection Fund | 0.814 | |
| New Homes Bonus | 1.506 | |
| Net Contribution to Cash Limit Reserves | -3.760 | |
| Net Contribution to Earmarked Reserves: | | |
| Schools and DSG | -5.114 | |
| Non-Schools | -0.576 | |
| Net Contribution to General Reserves | -4.554 | |
| TOTAL FINANCING | | 422.643 |

- 9 The final Outturn position for General Reserve is detailed below:

| | £m |
|--|----------------|
| Opening Balance as at 1 April 2011 | -17.320 |
| Add: | |
| Net Contribution to General Reserve in 2011/12 | -4.554 |
| Closing General Reserve Balance as at 31 March 2012 | -21.874 |

- 10 The General Reserve balance detailed above is higher than the County Council's current General Reserve policy of maintaining the reserve between 3% - 4% (£13m - £17m) of Net Revenue Expenditure. The policy will be reviewed as part of the 2013/14 budget setting process due to the potential significant risks associated with the upcoming introduction of new arrangements for Business Rates and Council Tax Benefit from 1 April 2013.

11 Examples of why the General Reserve has increased are detailed below:

- Additional New Homes Bonus Grant - £1.300m
- Additional Local Services Support Grant - £0.115m
- Interest and Investment income - £1.354m more than budget.
- Interest payable and similar charges - £0.317m less than budget

12 The final outturn for Earmarked Reserves is detailed below with fuller detail provided at Appendix 4. School Balances and Cash Limit Reserves are shown separately.

| | Non-Schools | Schools and DSG | Cash Limits | TOTAL |
|--|--------------------|------------------------|--------------------|-----------------|
| | £m | £m | £m | £m |
| Opening Earmarked Balances as at 1 April 2011 | -58.863 | -19.986 | -12.126 | -90.975 |
| Add | | | | |
| Net contribution to Earmarked Reserves | -0.576 | -5.114 | -3.760 | -9.450 |
| Closing Earmarked Reserve Balance as at 31 March 2012 | -59.439 | -25.100 | -15.886 | -100.425 |

Service Grouping Commentary

13 A summary from each Service Grouping Outturn follows. More detailed Outturn reports will be provided to Overview and Scrutiny Committees.

Assistant Chief Executive

14 The 2011/12 outturn for Assistant Chief Executives (ACE) is a cash limit surplus when compared to base budget of £0.392m. 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 service has undertaken additional activities during the year, the planned cost of which has been met from the ACE cash limit reserve (£60k). In addition, an amount of £93k relating to a grant received for Modern Ways of Working in 2010/11 has been transferred from the cash limit reserve to a 'Modern Ways of Working' earmarked reserve for consistency in the accounting treatment of grants received.

15 The cash limit outturn position compares to the previously forecast position of a cash limit surplus when compared to base budget of £0.280m.

16 The main reasons accounting for the outturn position are as follows:

- The employees budget under spent by £0.192m as a result of proactive management of vacancies within the services in preparation for realisation of the 2012/13 MTFP savings proposals.
 - Management of staff journeys to ensure only essential travel is undertaken has led to a managed under spend across the service of £17k.
 - Supplies and services under spent by £0.167m across the service as managers continue to review expenditure and restrict purchases to those essential to the service's operation.
 - Managers have been able to actively identify and achieve additional income during the year to help finance additional activity particularly within Partnership and Community engagement leading to an over recovery of income of £22k.
- 17 Further to the quarter 3 forecast outturn report, the following items have been excluded from the cash limit:
- Additional repair and maintenance costs for Community Buildings £6k
 - Additional Utility Running Costs of Community Buildings £21k
 - Variance in the net cost of Central support services costs £0.462m
- 18 Taking the outturn position into account, the cash limit reserve to be carried forward for Assistant Chief Executives is £1.133m.

Adults Wellbeing and Health

- 19 The 2011/12 outturn for Adults, Wellbeing and Health (AWH) is a cash limit surplus when compared to base budget of £0.981m. 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.
- 20 The cash limit outturn position compares to the previously forecast position of a cash limit surplus when compared to base budget of £0.614m.
- 21 The main reasons accounting for the outturn position are as follows:
- The re-tendering of the Domiciliary Care contract arrangement secured a reduction in the price paid for this service, which created a saving of £1.8m in the current year;
 - Early achievement of a number of future year MTFP management and support service proposals, together with the proactive management and control of vacancies and general budgets across the service has created a net surplus when compared to base budget for the year of approximately £4.4m;
 - Net spend on care packages is £1.1m below budget. This area of spend is closely monitored to assess the impact of demographic changes. The introduction of the reablement service in April 2011 has had a positive impact on the on-going care levels of service users, enabling them to be

more independent than would otherwise have been the case and reducing on-going care needs. Savings have also arisen from consistent and effective application of the existing eligibility criteria, reducing the level of care packages subsequently commissioned;

- To assist in the management of the demographic pressures facing the service over the MTFP period, the service targeted a planned overachieved position when compared to base budget for 2011/12, repeating the planned approach applied in 2010/11. This has enabled the creation of a £6.3m earmarked reserve for demographic pressures and increased cash limit reserves to assist the MTFP position going forward.

22 Further to the quarter 3 forecast outturn report, the following items have been excluded from the cash limit:

- £0.123m of MTFP related Redundancy and Early Retirement costs, which are met from a centrally held earmarked reserve;
- A total of £1.450m of contributions to earmarked reserves, including £0.232m in respect of additional Winter Pressures monies received from the PCT, and specific monies received in respect of reablement (£0.276m), memory services (£0.114m) and carers (£0.262m);
- Other sums outside the cash limit include costs in respect of capital accounting entries, repairs and maintenance costs, and central administration recharges.

23 Taking the outturn position into account, the cash limit reserve to be carried forward for Adults, Wellbeing and Health is £6.404m.

Children and Young People

24 The 2011/12 outturn for Children and Young People Services (CYPS) is a cash limit surplus when compared to base budget of £1.368m. 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. CYPS planned to use £0.933m from the cash limit reserve during 2011/12, this was included in their original budget and this amount has been used.

25 The cash limit outturn position compares to the previously forecast position of a cash limit surplus when compared to base budget of £1.5m.

26 The main reasons accounting for the outturn position are as follows:

- The Connexions service has overspent by £0.96m which is mainly due to the late confirmation of the loss of Government grant. One off grants and balances of £0.96m have been used to offset this.
- Safeguarding and Specialist Services has overspent by £0.82m due to transport costs (£0.8m) to fund contact visits ordered by the courts, excess school travel costs and car allowances. This service also experienced an over spend on independent foster agency and fostering related allowances (c£2m), which reflects the higher than budgeted

number of referrals and caseloads. Managed under spends on employees (£0.5m), supplies and services (c£0.7m) and additional one off income (c£0.78m) have helped to mitigate the position in year, with a base budget adjustment of £1.5m built into the 2012/13 base.

- To offset the above overspends there was an under spend on Home to School and college transport of £0.2m.
- A number of savings across Achievement and Early Intervention and Partnership Services (c£0.5m) mainly relating to in year service restructures, and additional one off non-recurring grants and balances (c£1.37m) have benefitted the outturn to the value of £1.9m.

27 Further to the quarter 3 forecast outturn report, the following items have been excluded from the cash limit at year end:

- £0.3m use of the Aycliffe Secure Capital Reserve to fund spend on the capital project.
- £95k transfer to the Continuous Professional Development reserve, relating to the trading account surplus at the year end.
- £28k transfer to the Education Reserve has been made, relating to an under spend on Education Business Learning Organisation trading activity.
- the planned £0.237m use of the Education Reserve, in respect of Education Business Learning Organisation, has not been required in 2011/12.
- the planned use of an additional £0.319m of the cash limit reserve, to offset the outturn position, has not been required in 2011/12

28 Taking the outturn position into account, the cash limit reserve to be carried forward for Children and Young People's Services is £1.688m.

Dedicated Schools Grant

29 The Dedicated Schools Grant (DSG) allocation for 2011/12 was £342.551m, however due to schools converting to academies the revised allocation was reduced by £29.058m to £313.493m in year.

30 The pressure areas for the DSG in 2011/12 have been Independent Specific School Fees and Recoupment (£0.24m), school redundancy costs (£0.46m) and advance spend on school repairs and maintenance (£0.55m). This has been offset by unused school based contingencies (£1.12m), staff savings and restructures (£0.4m), reduced non staff spend (£0.13m) and additional income from Impact and KS4 (£0.2m). The outturn position shows a balance of £0.597m to be carried forward to support funding proposals in 2012/13.

31 School budgets show balances of £20.890m at the end of 2011/12, a rise from £15.740m the previous year. There has been some reluctance to commit funds due to Government spending policy for 2011/12 which has a

freeze on inflation within school budgets and the reduction in school devolved capital which some schools may now need to fund as a revenue contribution.

Neighbourhood Services

- 32 The 2011/12 outturn for Neighbourhood Services is a cash limit surplus when compared to base budget of £0.913m. 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.
- 33 The cash limit outturn position compares to the previously forecast position of a cash limit surplus when compared to base budget of £0.230m.
- 34 The main reasons accounting for the outturn position are as follows:
- Additional income, and savings associated with waste recycling of approximately £0.400m
 - Savings within Street Scene of approximately £0.300m associated with reduced employee costs, and additional grounds maintenance income
 - Under spends within Operational Depots of £0.200m associated with savings on utility costs, equipment and repairs and maintenance.
 - Savings of £0.200m linked to restructuring within Business Support, and vacant posts that will be used to achieve future year MTFP efficiencies.
 - Savings of approximately £0.230m in Training and Development costs
 - An over spend of approximately £0.450m associated with Leisure Centres/Indoor Facilities, due to income shortfalls as a result of the economic downturn, and also higher than anticipated costs at leisure centres where closure was delayed.
- 35 Further to the quarter 3 forecast outturn report, the following items have been excluded from the cash limit:
- An under spend of £0.26m in respect of savings on Street Lighting Energy
 - Other sums outside the cash limit include costs in respect of capital accounting entries, central administration recharges, and changes to the Insurance Reserve.
- 36 In addition, the Service is making the following contributions to Earmarked Reserves:
- £0.649m relating to externally funded Sport and Leisure schemes and the Leisure and Cultural Trust, £0.454m relating to Waste Disposal and collection, and Buildings and Facilities Management, £0.504m in respect of AAP funded schemes that will be completed in 2012/13, and £0.461m relating to Customer Services and Environment Health.

- 37 Taking the outturn position into account, the cash limit reserve to be carried forward for Neighbourhood Services is £2.205m.

Regeneration and Economic Development

- 38 The 2011/12 outturn for Regeneration and Economic Development (RED) is a cash limit surplus when compared to base budget of £0.569m. 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.
- 39 The cash limit outturn position compares to the previously forecast position of a cash limit surplus when compared to base budget of £0.599m.
- 40 The main reasons accounting for the outturn position shown below, which include staffing savings of £0.9m as a result of making 2012/13 MTFP savings in advance:
- Policy Planning Performance - £22k saving in running expenses and this includes £6k for staffing
 - Economic Development - £0.230m saving. The service is experiencing an income pressure of £0.310m on rents from industrial estates. This is mitigated by savings secured on staffing of £0.268m and supplies and services of £0.272m.
 - Housing - £0.310m under spend which is largely attributable to savings in the Housing Solutions service of £0.249m arising from savings in temporary accommodation costs whilst a procurement exercise is being undertaken to provide a more holistic service. Staffing savings accounted for £0.138m.
 - Planning - £0.485m under spend of which £0.312m relates to staffing costs and the balance relates to supplies and services. Included in this figure is a £0.296m shortfall in building control income.
 - Transport - £0.552m saving of which £0.162m relates to staffing. There was additional income of £0.200m in network management from utilities works licences and £0.361m from fees and charges in passenger transport. However, there were additional costs and lower than expected income on traffic and parking management of £0.281m.
 - Other costs – £1.030m overspend relating to previously approved contributions to reserves of £0.720m, plus a further £0.300m and contingencies spend of £10k. The contribution to reserves is broadly in line with the one-off staffing saving secured as a result of making 2012/13 MTFP savings early.
- 41 Taking the outturn position into account, the cash limit reserve to be carried forward for Regeneration and Economic Development is £2.960m.

Resources

- 42 The 2011/12 outturn for Resources is a cash limit surplus when compared to base budget of £0.623m. 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.
- 43 The cash limit outturn position compares to the previously forecast position of a cash limit surplus when compared to base budget of £8k.
- 44 The main reasons accounting for the outturn position are as follows:
- The Asset Management service was overspent by £0.703m, primarily due to under recovery of income associated with industrial sites / units managed by Assets in 2011/12, offset by under spends on premises and supplies and services budgets. These budgets were rebased and realigned prior to disaggregation of the service in 2012/13.
 - Finance, including the Revenues and Benefits service, was under spent by £0.108m as a result of managed when compared to base budget under spends on supplies and services (earlier than anticipated realisation of software savings) offset by reduced court cost fee income and the one-off use of agency staff to support the Revenues and Benefits services while a new single administration system was developed and embedded.
 - HR under spent by £0.253m as a result of management of vacancies prior to a restructure and tight control of supplies and services budgets, plus additional income as a result of one-off accessing of a RIEP grant in early 2012 not anticipated when the budget was established.
 - Legal and Democratic under spent by £0.896m due to a combination of early achievement of 2012/13 MTFP savings initiatives, combined with Transport savings realised following management and members action to limit travel to essential journeys only. Savings were also achieved in supplies and services budgets and income overachieved by c£65k through additional activity undertaken in Registrars, and Legal and Democratic services for outside bodies.
 - ICT was £0.161m under spent for the year, primarily due to supplies and services savings in relation to software licenses and telecommunications costs, plus the early achievement of 2012/13 MTFP savings.
- 45 Further to the quarter 3 forecast outturn report, the following items have been excluded from the cash limit:
- £0.055m of MTFP related Redundancy and Early Retirement costs, which are met from centrally held reserves.
 - The following variations in the use of and contribution to earmarked reserves - £1.200m reduction in the use of the Housing Benefit Subsidy Reserve, a reduction in the use of £1.047m from the Performance Reward Grant Reserve, a contribution to the Procurement Reserve of £0.500m, contributions to DWP grant reserves £0.159m, a contribution of £0.200m

to the Civica Development Reserve and a contribution of £0.500m to the Oracle Release 12 Reserve.

- Other sums outside the cash limit include costs in respect of capital accounting entries, repairs and maintenance costs, and central administration recharges.

46 Taking the outturn position into account, the cash limit reserve to be carried forward for Resources is £1.496m.

Interest Payable and Similar Charges

47 The Revenue Summary at Appendix 2 highlights a £0.317m over achievement in 2011/12 when compared to base budget. This saving has been achieved due to lower than forecast interest rates on loans, and borrowing taking place later than estimated due to higher levels of cash balances than forecast.

Interest and Investment Income

48 There has been an overachievement of investment income of £1.354m which is due to the higher than anticipated levels of cash balances held during 2011/12. This is due in the main to slower than expected use of reserves and capital expenditure.

2011/12 Capital Outturn

49 The original General Fund (GF) Capital Budget for 2011/12 was set at £194.155m and was approved by Cabinet on 23 February 2011.

50 The revised GF Capital Budget for 2011/12 was set at £167.929m and was approved by Cabinet on 8 February 2012.

51 Since the revised budget was approved, an additional £0.311m of Disabled Facilities Grant has been confirmed and is reflected in the total GF Capital Programme detailed in the tables below. The table also details the request for budget to be carried forward which was approved at the Capital Member Officers Working Group held on 14 May 2012.

| | Revised 2011/12 Budget | 2011/12 Outturn | Variance | | Budget carried forward |
|--------------|------------------------------|--------------------|----------------|--------------|------------------------------|
| | £m | £m | £m | % | £m |
| ACE | 2.520 | 1.094 | -1.426 | -56.6 | 0.641 |
| AWH | 0.569 | 0.424 | -0.145 | -25.5 | 0.301 |
| CYPS | 77.721 | 70.534 | -7.187 | -9.2 | 12.443 |
| NS | 26.772 | 27.037 | 0.265 | 1.0 | 1.321 |
| RED | 49.267 | 37.264 | -12.003 | -24.4 | 16.743 |
| Resources | 9.572 | 7.641 | -1.931 | -20.2 | 0.611 |
| Other | 1.819 | -0.227* | -2.046 | -112.5 | 0.153 |
| TOTAL | 168.240 | 143.767 | -24.473 | -14.5 | 32.213 |

* the negative outturn is due to an amount provided for in 2011/12 which was not required and will not be required in the future

- 52 In addition to the under spends that are being requested to carry forward into 2012/13, the variances in the table above also includes overspends that are due to accelerated spending, where 2012/13 budgets will be adjusted accordingly, and also overspends that are being financed from additional funding that was received after the capital budget was approved by the County Council in February 2011.
- 53 The Capital Programme is financed via various funding sources including grants; capital receipts; revenue contributions; contributions from reserves and borrowing. The financing of the 2011/12 Outturn is detailed in the table below.

| Financed by: | 2011/12 Outturn |
|---|----------------------------|
| | £m |
| Grants | 92.512 |
| Reserves | 2.150 |
| Direct Revenue Financing: | |
| DSG | 4.330 |
| Other | 3.769 |
| Capital Receipts | 8.241 |
| Supported Borrowing (Supported Capital Expenditure - Revenue) | 8.755 |
| Unsupported Borrowing | 24.010 |
| TOTAL | 143.767 |

Service Grouping Commentary

- 54 A summary of the Capital Outturn for each Service Grouping is shown below:

Assistant Chief Executive

- 55 The 2011/12 outturn capital expenditure for Assistant Chief Executive (ACE) was £1.094m, against a quarter 3 revised budgets of £2.520m, a £1.426m under spend for the year.
- 56 The Capital Member/Officer Working Group has met to review the outturn against the agreed programme on a scheme by scheme basis. Reasons for any budget carry forward and necessary reprofiling have been thoroughly challenged.
- 57 Included in the ACE capital outturn position is structural maintenance activity on community buildings associated with ACE (£22k). The expenditure is recorded against ACE but the budget and management responsibility for this element of the capital programme is administered and managed by Resources.
- 58 Planned and budgeted capital expenditure of £0.641m will be reprofiled into 2012/13 and budgets adjusted in year accordingly.

- 59 The revised capital budget includes £0.806m for which expenditure has been incurred by other services.

Adults Wellbeing and Health

- 60 The 2011/12 outturn capital expenditure for Adults, Wellbeing and Health (AWH) was £0.424m, against a quarter 3 revised budget of £0.569m, a £0.145m under spend for the year. Capitalised maintenance costs of £0.135m have been included in the AWH outturn position, although the budget was held centrally.
- 61 The Capital Member/Officer Working Group has met to review the outturn against the agreed programme on a scheme by scheme basis. Reasons for any budget carry forward and necessary reprofiling have been thoroughly challenged.
- 62 Included in the capital outturn position is accelerated spend on 2012/13 schemes that have been brought forward and commenced in quarter 4 of £21k.
- 63 Planned and budgeted capital expenditure of £0.301m will be reprofiled into 2012/13 and budgets adjusted in year accordingly.

Children and Young People

- 64 The 2011/12 outturn capital expenditure for Children and Young People Services (CYPS) was £70.534m, against a quarter 3 revised budget of £77.721m, a £7.187m underspend for the year.
- 65 The Capital Member/Officer Working Group has met to review the outturn against the agreed programme on a scheme by scheme basis. Reasons for any budget carry forward and necessary reprofiling have been thoroughly challenged.
- 66 Included in the capital outturn position is overspending on schemes financed by additional capital grants and contributions that were not included in the budget of £2.990m and accelerated spend on 2012/13 schemes that have been brought forward and commenced in quarter 4 of £2.326m.
- 67 Planned and budgeted capital expenditure of £12.443m will be reprofiled into 2012/13 and budgets adjusted in year accordingly.

Neighbourhood Services

- 68 The 2011/12 outturn capital expenditure for Neighbourhood Services was £27.037m, against a quarter 3 revised budget of £26.772m, a £0.265m overspend for the year.
- 69 The Capital Member/Officer Working Group has met to review the outturn against the agreed programme on a scheme by scheme basis. Reasons for any budget carry forward and necessary re-profiling have been thoroughly challenged.
- 70 Included in the capital outturn position is overspending on schemes financed by additional capital grants and contributions that were not included in the

budget of £1.061m and accelerated spend on 2012/13 schemes that have been brought forward and commenced in quarter 4 of £0.524m.

- 71 Planned and budgeted capital expenditure of £1.321m will be re-profiled into 2012/13 and budgets adjusted in year accordingly.

Regeneration and Economic Development

- 72 The 2011/12 outturn capital expenditure for Regeneration and Economic Development (RED) was £37.264m, against a quarter 3 revised budget of £49.267m, a £12.003m under spend for the year.

- 73 The Capital Member/Officer Working Group has met to review the outturn against the agreed programme on a scheme by scheme basis. Reasons for any budget carry forward and necessary reprofiling have been thoroughly challenged.

- 74 Included in the capital outturn position is overspending on schemes financed by additional capital grants and contributions that were not included in the budget of £3.865m and accelerated spend on 2012/13 schemes that have been brought forward and commenced in quarter 4 of £0.924m.

- 75 Planned and budgeted capital expenditure of £16.743m will be reprofiled into 2012/13 and budgets adjusted in year accordingly.

Resources

- 76 The 2011/12 outturn capital expenditure for Resources was £7.641m, against a quarter 3 revised budget of £9.572m, a £1.931m under spend for the year.

- 77 The Capital Member/Officer Working Group has met to review the outturn against the agreed programme on a scheme by scheme basis. Reasons for any budget carry forward and necessary reprofiling have been thoroughly challenged.

- 78 Included in the capital outturn position is accelerated spend on 2012/13 schemes that have been brought forward and commenced in quarter 4 of £0.120m.

- 79 Planned and budgeted capital expenditure of £0.611m will be reprofiled into 2012/13 and budgets adjusted in year accordingly.

- 80 The revised capital budget included £1.419m for which expenditure has been incurred by other services. In addition, unspent Resources capital budgets of £20k related to Completed Capital projects were released back to Capital contingencies.

Housing Revenue Account (HRA) – 2011/12 Revenue and Capital Outturn

Revenue Outturn

- 81 Appendix 5 details the outturn position on the HRA showing the actual position compared with the original budget. In summary it identifies a surplus outturn position on the revenue account of £0.133m. This results in a healthy level of reserves of £7.821m. The following table summarises the position:

| Housing Revenue Account | 2011/12 Budget | 2011/12 Outturn | Variance |
|---|-----------------------|------------------------|-----------------|
| | £m | £m | £m |
| Income | | | |
| Dwelling Rents | -56.610 | -56.840 | -0.230 |
| Other Income | -0.931 | -1.082 | -0.151 |
| Interest and Investment Income | -0.089 | -0.113 | -0.024 |
| Total Income | -57.630 | -58.035 | -0.405 |
| Expenditure | | | |
| ALMO Fees | 18.266 | 18.266 | 0 |
| Repairs, Supervision and Management Costs | 11.871 | 12.843 | 0.972 |
| Negative Subsidy Payment to CLG | 4.514 | 3.790 | -0.724 |
| Depreciation | 11.696 | 11.696 | 0 |
| Interest Payable | 6.624 | 6.327 | -0.297 |
| Revenue Contribution to Capital Programme | 4.659 | 4.980 | 0.321 |
| Total Expenditure | 57.630 | 57.902 | 0.272 |
| 2011/12 Surplus to balances | 0 | -0.133 | -0.133 |

82 In summary, the main variances are explained below:

- Dwelling Rents – additional income is due to the void rates being lower than anticipated in the original estimates.
- Other Income – this results from receipt of administration charges from furniture packs (not previously budgeted for) at Durham City Homes
- Repairs – £0.418m overspend due to additional repairs works carried out by Durham City Homes, financed from efficiency savings in the Supervision and Management budgets. In addition, extra works were carried out to Void properties in an attempt to reduce the re-let times.
- General Management - £0.588m overspend due to £0.342m on Stock Options which is financed from an earmarked reserve. In addition there is a provision of £0.600m included for a court case regarding an outstanding issue with the former Wear Valley District Council and an amount attributable to the cost of rent rebates to tenants above a threshold set by the Government – these costs are partly offset by other efficiency savings.
- Special Management – £0.251m savings on cleaning charges and running expenses in relation to Communal Halls. Special Management are services provided that benefit specific groups of tenants, this includes communal heating, lifts, lighting, caretaking, cleaning and grounds maintenance.

- Subsidy – savings due to additional subsidy being received to cover interest payments on Decent Homes funding of £18.6m allocated in 2011/12.
- Bad Debt Provision – increased provision required as a result of an increased rent arrears position at the year end.
- Interest Payments – reduced interest payable on housing debt arising from a lower rate being charged and the housing debt being lower than originally anticipated in the budget.
- Revenue Support to Capital - £0.321m of the net savings identified above together with an additional £0.400m from the Capital Reserve have been used to support the capital programme and reduce the level of borrowing required.

83 The final position on HRA general and earmarked reserves as at 31 March 2012 is as follows:

- HRA Capital Reserve - £2.000m after expending £0.400m in 2011/12
- Stock Options Reserve - £60k after expending £0.342m in 2011/12
- Durham City Homes Improvement Plan - £0.400m
- HRA Reserve - £7.821m following a contribution to the reserve of £0.133m in 2011/12.

Capital Outturn

84 The Housing Revenue Account Capital Budget for 2011/12 was set at £25.245m and was approved by Cabinet on 23 February 2011.

85 The revised Housing Revenue Account (HRA) Capital Budget for 2011/12 was set at £42.792m and was approved by Cabinet on 16 November 2011 and subsequently has been increased by £0.362m to £43.154m at Cabinet on 29 February 2012.

| | Revised 2011/12 Budget | 2011/12 Outturn | Variance | | Budget carried forward |
|--------------|---------------------------------------|----------------------------|-----------------|-------------|---------------------------------------|
| | £m | £m | £m | % | £m |
| Housing | 43.154 | 41.735 | -1.419 | -3.3 | 1.465 |
| TOTAL | 43.154 | 41.735 | -1.419 | -3.3 | 1.465 |

86 The Capital Programme is financed via grants, capital receipts, revenue contributions, reserves and borrowing. The financing of the 2011/12 Outturn is detailed in the table overleaf.

| Financed by: | 2011/12 Outturn |
|---|----------------------------|
| | £m |
| Grants | 2.905 |
| Reserves | 0.400 |
| Direct Revenue Financing: | 4.980 |
| Capital Receipts | 1.217 |
| Major Repairs Allowance | 11.696 |
| Supported Borrowing (Supported Capital Expenditure - Revenue) | 18.600 |
| Unsupported Borrowing | 1.937 |
| TOTAL | 41.735 |

- 87 The 2011/12 outturn capital spend for the HRA was £41.735m, against a quarter 3 revised budget of £43.154m, a £1.419m under spend for the year.
- 88 The Capital Member/Officer Working Group has met to review the outturn against the agreed programme on a scheme by scheme basis. Reasons for any budget carry forward and necessary reprofiling have been thoroughly challenged.
- 89 Included in the capital outturn position is accelerated spend on 2012/13 schemes that have been brought forward and commenced in quarter 4 of £66k.
- 90 Planned and budgeted capital expenditure of £1.465m will be reprofiled into 2012/13 and budgets adjusted in year accordingly.

Annual Treasury Management Review

Executive Summary

- 91 Treasury Management is the management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. It is concerned with how the Council manages its cash resources and its scope covers borrowing, investment and hedging instruments and techniques. Risk is inherent in all treasury management activities and it is necessary to balance risk against return on investment.
- 92 The financial year 2011/12 continued the challenging investment environment of previous years; namely low investment returns and continuing heightened levels of counterparty risk. The original expectation for 2011/12 was that Bank Rate would start gently rising from Quarter 4 of 2011 however GDP growth in the UK was disappointing during the year probably due to the UK austerity programme, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market - the European Union (EU).

- 93 The EU sovereign debt crisis grew in intensity during the year until February 2012 when a second bailout package was eventually agreed for Greece. Weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing by £75bn in October 2011 and another £50bn in February 2012. Bank Rate therefore ended the year unchanged at 0.5% while CPI inflation peaked in September at 5.2% but then fell to 3.4% in February, with further falls expected to below 2% over the next two years.
- 94 Risk premiums were also a constant factor in raising money market deposit rates for periods longer than one month. Widespread and multiple downgrades of the ratings of many banks and sovereigns, continued Eurozone concerns, and the significant funding issues still faced by many financial institutions, meant that investors remained cautious of longer-term commitment.

Treasury Position

- 95 The Treasury position at the beginning and end of 2011/12 is shown in the table below:

| | 31-Mar-11 | Rate/ Return | Average Life | 31-Mar-12 | Rate/ Return | Average Life |
|--|-----------|-----------------|-----------------|-----------|-----------------|-----------------|
| | £m | % | yrs | £m | % | yrs |
| Total Debt | 318 | 5.3 | | 418 | 4.1 | |
| Capital Financing Requirement (CFR) | 485 | | | 579 | | |
| Over/ (Under) Borrowing* | (167) | | | (161) | | |
| Total Investments | 172 | 0.7 | 0.1 | 144 | 1.1 | 0.3 |
| Net Debt | 146 | | | 274 | | |

*Note: includes PFI liabilities of £48m for which borrowing is not required

- 96 Investments decreased by £28m across the period, reflecting an outflow of cash from the Council, however by identifying core cash levels that could be invested in longer dated deposits it was possible to improve the average rate earned on those balances by 0.4%. This is policy is also reflected in the increase in the average life of the portfolio.
- 97 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).
- 98 The implementation of housing finance reform at the end of the year abolished the housing subsidy system financed by central government and, consequently, all housing debt has been reallocated nationally between housing authorities. The result of this reallocation is that this Council made a capital payment to the Department of Communities and Local Government of £53m. This resulted in an increase in the CFR and total borrowing of £53m at the end of the year which was all financed by new external borrowing.

- 99 The CFR and debt figures shown in the table above therefore include these figures.
- 100 In addition to the HRA borrowing, another £50m of loans was taken from the Public Works Loans Board (PWLB) during the year. This enabled the Council to take advantage of historically low interest rates and to maintain its under-borrowed position at a manageable level.

Capital Expenditure and Financing

- 101 The Council undertakes capital expenditure on long-term assets. These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants or revenue contributions), which has no resultant impact on the Council's borrowing need; or
 - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- 102 Actual capital expenditure forms one of the required prudential indicators. The table below shows actual capital expenditure and how this was financed.

| | 2010/11 Actual | 2011/12 Estimate | 2011/12 Actual |
|---------------------------------------|---------------------------|-----------------------------|---------------------------|
| | £m | £m | £m |
| Non-HRA Capital Expenditure | 120.22 | 194.16 | 143.77 |
| Non-HRA PFI and Finance Lease | 47.58 | - | 2.75 |
| HRA Capital Expenditure | 37.86 | 17.99 | 41.73 |
| HRA Self-Financing | - | - | 52.89 |
| Total capital expenditure | 205.66 | 212.15 | 241.14 |
| Resourced by: | | | |
| Capital receipts | 27.53 | 16.27 | 9.46 |
| Capital grants | 72.26 | 92.52 | 95.42 |
| Capital reserves | 13.14 | 11.97 | 11.70 |
| Revenue | 17.92 | 6.67 | 15.63 |
| Unfinanced capital expenditure | 74.81 | 84.72 | 108.93 |

Overall Borrowing Need

- 103 The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2010/11 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 104 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the Corporate Director Resources' treasury management group organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements.

- 105 This may be sourced through borrowing from external bodies (such as the Government, through the PWLB or the money markets), or utilising temporary cash resources within the Council.
- 106 The Council's (non HRA) underlying borrowing need known as its capital finance requirement (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-HRA borrowing need (there is no statutory requirement to reduce the HRA CFR).
- 107 The Council's 2011/12 MRP Policy, as required by the Department of Communities and Local Government (CLG) guidance was approved as part of the Treasury Management Strategy Report for 2011/12 on 23 February 2011.
- 108 The Council's CFR for the year is shown below, and represents a key prudential indicator.

| CFR | 31-Mar-11 Actual | 31-Mar-12 Estimate | 31-Mar-12 Actual |
|---|-----------------------------|-------------------------------|-----------------------------|
| | £m | £m | £m |
| Opening balance | 423.688 | 469.260 | 484.646 |
| Add unfinanced capital expenditure (as above) | 74.812 | 84.720 | 108.943 |
| Less MRP/VRP | -13.854 | -12.950 | -14.454 |
| Closing balance | 484.646 | 541.030 | 579.135 |

- 109 The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit. In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure.
- 110 The authorised limit is the "affordable borrowing limit" required by section 3 of the Local Government Act 2003. The Council does not have the power to borrow above this level.
- 111 The table below demonstrates that during 2011/12 the Council has maintained gross borrowing within its authorised limit.
- 112 The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

| | 2011/12 |
|----------------------------------|----------------|
| | £m |
| Authorised limit | 619.500 |
| Operational boundary | 569.500 |
| Average gross borrowing position | 338.428 |

Investment Strategy

- 113 The prime objective of the Council's investment strategy is to ensure prudent investment of surplus funds. The Council's investment priorities are therefore the security of capital, liquidity of investments and, within those objectives, to secure optimum performance. The Council has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").
- 114 Therefore the primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration.

Selection Criteria

- 115 The criteria for providing a pool of high quality investment counterparties are:

1. Banks 1 – the Council's strategy requires the use of UK banks only which have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

| | Fitch | Moody's | Standard & Poors |
|------------------------------|--------------|----------------|-----------------------------|
| Short Term | F1 | P1 | A-1 |
| Long Term | A | A2 | A |
| Viability/Financial Strength | bb- | C1 | - |
| Support | 3 | - | - |

2. Banks 2 - Part nationalised UK banks – Lloyds Bank and Royal Bank of Scotland. These banks are included so long as they continue to be part nationalised or they meet the ratings in Banks 1 above.

3. Banks 3 – Co-operative Bank - The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.

4. Bank subsidiary and treasury operation. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.

5. Building societies. The Council only use building societies which meet the ratings for banks outlined above.

6. Money Market Funds.

7. UK Government (including gilts, Treasury Bills and the Debt Management Account Deposit Facility).

8. Local authorities and parish councils.

Time and Monetary Limits applying to Investments

116 The time and monetary limits for institutions on the Council's Counterparty List are as follows:

| | Long Term Rating | Money Limit | Time Limit |
|--------------------------------------|------------------|-----------------------------|------------|
| Banks 1 category high quality | AA | £50m | 1 year |
| Banks 1 category medium quality | A | £25m | 3 months |
| Banks 2 category – part-nationalised | n/a | £50m | 1 year |
| Banks 3 category – Council's banker | A- | £25m | 3 months |
| DMADF/Treasury Bills | AAA | unlimited | 6 months |
| Local Authorities | n/a | £10m each | 1 year |
| Money Market Funds | AAA | £10m each (overall £50m) | liquid |

Amendments to Limits

- 117 In June 2012 the Corporate Director Resources, in consultation with the Cabinet Portfolio Holder for Resources, has increased the monetary limit for the 'Banks 2' category from £50m to £60m.
- 118 With widespread and multiple downgrades of the ratings of many banks and sovereigns, continued Eurozone concerns, and the significant funding issues still faced by many financial institutions access to high quality counterparties is becoming restricted and this change will enable the Council to place additional funds with part-nationalised UK banks.
- 119 In order to provide more flexibility to act in such circumstances it is recommended that the power to amend counterparty monetary and time limits is delegated to the Corporate Director Resources. Any changes to the Annual Strategy during the financial year would then be reported to County Council in either the Mid-Year Review or the Final Outturn Report.

Icelandic Deposits

- 120 In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £7m deposited across three of these institutions, with varying maturity dates and interest rates as follows:

| Bank | Date Invested | Maturity Date | Amount Invested | Interest Rate |
|------------------|----------------------|----------------------|------------------------|----------------------|
| | | | £ | % |
| KSF | 30/10/07 | 28/10/08 | 1,000,000 | 6.120 |
| Landsbanki (1) | 12/04/07 | 13/10/08 | 1,000,000 | 6.010 |
| Landsbanki (2) | 12/04/07 | 14/04/09 | 1,000,000 | 6.040 |
| Glitnir Bank (1) | 25/10/06 | 24/10/08 | 3,000,000 | 5.620 |
| Glitnir Bank (2) | 18/12/07 | 16/12/08 | 1,000,000 | 6.290 |
| Total | | | 7,000,000 | |

- 121 All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers.
- 122 The current situation with regards to recovery of the sums deposited varies between each institution.

Kaupthing Singer and Friedlander Ltd

- 123 The current position on actual payments received and estimated future payouts is as shown in the table The authority has decided to recognise an impairment based on it recovering 83.5p in the £.

| Date | Repayment |
|---------------------------|------------------|
| | % |
| Received to 31 March 2012 | 63.0 |
| Received in May 2012 | 10.0 |
| January 2013 | 5.0 |
| January 2014 | 5.5 |

- 124 Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 7 October 2008.

Landsbanki

- 125 Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee.
- 126 Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in February 2012.
- 127 An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 3.35%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

- 128 The current position on estimated future payouts is as shown in the table below and this council has used these estimates to calculate the impairment based on recovering 100p in the £.

| Date | Repayment |
|---------------------------|-----------|
| | % |
| Received to 31 March 2012 | 30.0 |
| December 2012 | 8.0 |
| December 2013 | 8.0 |
| December 2014 | 8.0 |
| December 2015 | 8.0 |
| December 2016 | 8.0 |
| December 2017 | 8.0 |
| December 2018 | 22.0 |

- 129 Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 22 April 2009 [or maturity date if earlier].

Glitnir Bank hf

- 130 Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee.
- 131 The Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in March 2012.
- 132 An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 3.4%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.
- 133 The distribution has been made in full settlement, representing 100% of the claim.
- 134 The authority has made an impairment of 8% of the claim amount due to currency fluctuations.

Recommendations and reasons

- 135 It is recommended that Cabinet note:
- (i) the addition to the Cash Limit reserves of £3.760m in the year. These sums will be held as Earmarked Reserves and be available for Service Groupings to utilise to manage budgets effectively.
 - (ii) the closing General Reserve balance of £21.874m.
 - (iii) the closing balance on Earmarked Reserves (excluding Cash Limit Reserves) of £84.539m of which £20.890m relate to schools balances.

136 It is recommended that Cabinet approve:

- (i) that capital budget carried forward of £32.213m for the General Fund and £1.465m for the HRA is moved into 2012/13 and that Service Groupings regularly review capital profiles throughout 2012/13 reporting revisions to MOWG and Cabinet as necessary.
- (ii) that the power to amend counterparty monetary and time limits is delegated to the Corporate Director Resources. Any changes to the Annual Strategy during the financial year would then be reported to County Council in either the Mid-Year Review or the Final Outturn Report.

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Appendix 1: Implications

Finance

The report details the financial outturn for the Council for 2011/12 for Revenue and Capital. The report covers General Fund and Housing Revenue Account for both Revenue and Capital.

Staffing

None.

Risk

None.

Equality and Diversity / Public Sector Duty

None.

Accommodation

None.

Crime and Disorder

None.

Human Rights

None.

Consultation

None.

Procurement

None.

Disability Issues

None.

Legal Implications

None.

Appendix 2: Revenue Summary 2011/12

| | | | | | Cash Limit Adjustments | | | |
|---|-----------------|---------------|---------------------------------|----------|-----------------------------|-----------------------------------|---------------------|--------------------------|
| | Original Budget | Agreed Budget | Service Groupings Final Outturn | Variance | Sums Outside the Cash Limit | Contribution to / Use of Reserves | Cash Limit Position | Cash limit Carry Forward |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Assistant Chief Executive | 10,479 | 11,332 | 12,106 | 774 | -1,541 | 375 | -392 | 392 |
| Adult Wellbeing and Health | 176,328 | 167,798 | 171,703 | 3,905 | -6,213 | 1,327 | -981 | 981 |
| Children & Young People | 105,274 | 106,171 | 74,237 | -31,934 | 24,502 | 6,064 | -1,368 | 1,368 |
| Neighbourhood Services | 99,290 | 108,260 | 97,082 | -11,178 | 8,850 | 1,415 | -913 | 913 |
| Regeneration and Economic Dev | 39,617 | 42,447 | 37,439 | -5,008 | 3,049 | 1,390 | -569 | 569 |
| Resources | 19,125 | 30,308 | 21,335 | -8,973 | 4,224 | 4,126 | -623 | 623 |
| | 450,113 | 466,316 | 413,902 | -52,414 | 32,871 | 14,697 | -4,846 | 4,846 |
| Centrally Held Budgets | 0 | 0 | 1,850 | 1,850 | 0 | -1,734 | 116 | -116 |
| Contingencies | 9,547 | 1,509 | | -1,509 | | -2,500 | -4,009 | 4,009 |
| NET COST OF SERVICES | 459,660 | 467,825 | 415,752 | -52,073 | 32,871 | 10,463 | -8,739 | 8,739 |
| Capital charges | -49,020 | -48,856 | -74,872 | -26,016 | | | -26,016 | 26,016 |
| Gain/Loss on disposal of fixed assets | 0 | 0 | 64,240 | 64,240 | | | 64,240 | -64,240 |
| Interest and Investment income | -577 | -577 | -1,931 | -1,354 | | | -1,354 | 1,354 |
| Interest payable and similar charges | 26,271 | 25,321 | 25,004 | -317 | | | -317 | 317 |
| HR Accrual - reversal | 0 | 0 | -5,435 | -5,435 | 5,435 | | 0 | 0 |
| LSSG Grant - Corporate Element | 0 | 0 | -115 | -115 | | | -115 | 115 |
| Net Expenditure | 436,334 | 443,713 | 422,643 | -21,070 | 38,306 | 10,463 | 27,699 | -27,699 |
| Funded By: | | | | | | | | |
| Council tax | -198,870 | -198,870 | -198,870 | 0 | | | 0 | 0 |
| Use of (-) contribution to earmarked reserves | -260 | -6,833 | 5,690 | 12,523 | | | 12,523 | -12,523 |
| Estimated net surplus on Collection Fund | -814 | -814 | -814 | 0 | | | 0 | 0 |
| Revenue Support Grant | -55,596 | -55,596 | -55,596 | 0 | | | 0 | 0 |
| Re-distributed Non Domestic Rates | -179,861 | -179,861 | -179,861 | 0 | | | 0 | 0 |
| New Homes Bonus | 0 | 0 | -1,506 | -1,506 | | 206 | -1,300 | 1,300 |
| Forecast contribution to Cash Limit Reserve | -933 | -1,739 | 3,760 | 5,499 | | | 5,499 | -5,499 |
| Forecast contribution to General Reserves | 0 | 0 | 4,554 | 4,554 | | | 4,554 | -4,554 |
| TOTAL | 0 | 0 | 0 | -0 | 38,306 | 10,669 | 48,975 | -48,975 |

Appendix 3: Revenue Summary by Expenditure / Income for 2011/12

| | Cash Limit Adjustments | | | | | | |
|-----------------------------|------------------------|------------------|---------------------------------|-----------------------------|-----------------------------------|---------------------|--------------------------|
| | Original Budget | Agreed Budget | Service Groupings Final Outturn | Sums Outside the Cash Limit | Contribution to / Use of Reserves | Cash Limit Position | Cash Limit Carry Forward |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Employees | 573,681 | 587,394 | 576,221 | -9,269 | 468 | -19,974 | 19,974 |
| Premises | 51,066 | 51,875 | 56,623 | -6,109 | -420 | -1,781 | 1,781 |
| Transport | 54,173 | 56,853 | 54,244 | 2,358 | 24 | -227 | 227 |
| Supplies & Services | 144,590 | 151,848 | 147,671 | 491 | 2,492 | -1,194 | 1,194 |
| Agency & Contracted | 211,392 | 215,889 | 224,334 | 96 | 3,246 | 11,787 | -11,787 |
| Transfer Payments | 231,690 | 246,686 | 249,426 | 3,605 | 447 | 6,792 | -6,792 |
| Central Costs | 86,329 | 83,414 | 89,337 | -7,747 | 5,390 | 3,566 | -3,566 |
| Other | 7,903 | 1,642 | 634 | 0 | 319 | -689 | 689 |
| DRF | 0 | 6,135 | 10,249 | 0 | -2,150 | 1,964 | -1,964 |
| Capital Charges | 49,020 | 48,856 | 10,632 | 38,224 | 0 | 0 | -0 |
| GROSS EXPENDITURE | 1,409,844 | 1,450,593 | 1,419,371 | 21,649 | 9,816 | 243 | -243 |
| Income | | | | | | | |
| - Specific Grants | 640,387 | 656,115 | 631,086 | 4,917 | 1,728 | -18,384 | 18,384 |
| - Other Grants & conts | 24,854 | 32,557 | 40,902 | -41 | 0 | 8,304 | -8,304 |
| - Sales | 5,743 | 6,211 | 10,551 | 0 | 0 | 4,340 | -4,340 |
| - Fees & charges | 98,359 | 103,201 | 105,292 | -8 | -799 | 1,284 | -1,284 |
| - Recharges | 170,920 | 167,687 | 193,705 | -14,356 | 9 | 11,671 | -11,671 |
| - Other | 19,468 | 18,506 | 22,083 | -1,734 | -1,585 | 258 | -258 |
| Total Income | 959,731 | 984,277 | 1,003,619 | -11,222 | -647 | 7,473 | -7,473 |
| NET COST OF SERVICES | 450,113 | 466,316 | 415,752 | 32,871 | 10,463 | -7,230 | 7,230 |

Appendix 4: Earmarked Reserves as at 31 March 2012

| EARMARKED RESERVES AND CASH LIMIT RESERVES | SERVICE GROUPING | 2010/11 CLOSING BALANCE | USE OF RESERVES | CONTRIBUTION TO RESERVES | TRANSFERS BETWEEN RESERVES | TOTAL MOVEMENT ON RESERVES | 2011/12 CLOSING BALANCE |
|--|------------------|-------------------------|-----------------|--------------------------|----------------------------|----------------------------|-------------------------|
| ACE AAP/Members Reserve | ACE | -2,414 | 414 | -364 | 0 | 50 | -2,364 |
| ACE Grant Reserve | ACE | 0 | 0 | -140 | -93 | -233 | -233 |
| ACE Operational Reserve | ACE | 0 | 0 | -140 | 0 | -140 | -140 |
| ACE Regeneration and Communities Reserve | ACE | -1,880 | 1,880 | 0 | 0 | 1,880 | 0 |
| Heritage and Culture Reserve | AWH | -111 | 2 | -100 | -39 | -137 | -248 |
| Social Care Reserve | AWH | -425 | 25 | -8,968 | 39 | -8,904 | -9,329 |
| Health and Wellbeing Reserve | AWH | -1,566 | 219 | 0 | 0 | 219 | -1,347 |
| Community Safety Reserve | AWH | -75 | 50 | -50 | 0 | 0 | -75 |
| Aycliffe Young People's Centre Reserve | CYPS | -300 | 300 | -475 | 0 | -175 | -475 |
| Continuing Professional Development Reserve | CYPS | -278 | 0 | -95 | 0 | -95 | -373 |
| Education Reserve | CYPS | -45 | 280 | -28 | 0 | 252 | 207 |
| CYPS Leisure Reserve | CYPS | -52 | 0 | 0 | 0 | 0 | -52 |
| LEP Reserve | CYPS | -80 | 80 | 0 | 0 | 80 | 0 |
| Special Projects Reserve | CYPS | -60 | 0 | 0 | 0 | 0 | -60 |
| Youth Forum Reserve | CYPS | -64 | 64 | 0 | 0 | 64 | 0 |
| Neighbourhoods AAP Reserve | NS | -824 | 483 | -163 | 0 | 320 | -504 |
| Customer Services Reserve | NS | 0 | 0 | -360 | 0 | -360 | -360 |
| Direct Services Reserve | NS | -1,122 | 65 | -349 | 0 | -284 | -1,406 |
| Env. Health and Consumer Protection Reserve | NS | -40 | 0 | -101 | 0 | -101 | -141 |
| Sport and Leisure Reserve | NS | -1,254 | 473 | -984 | 0 | -511 | -1,765 |
| Strategic Waste Reserve | NS | 0 | 0 | -104 | 0 | -104 | -104 |
| Transport Asset Management Programme Reserve | NS | -515 | 150 | 0 | 0 | 150 | -365 |
| Economic Development Reserve | RED | -5,353 | 2,127 | -72 | 2,455 | 4,510 | -843 |
| Planning Reserve | RED | -2,034 | 260 | 0 | 0 | 260 | -1,774 |
| Employability and Training Reserve | RED | -240 | 0 | -615 | 0 | -615 | -855 |
| RED Regeneration Reserve | RED | -470 | 0 | -520 | -277 | -797 | -1,267 |
| Housing Regeneration Reserve | RED | -223 | 128 | 0 | 0 | 128 | -95 |
| Housing Solutions Reserve | RED | -860 | 0 | -461 | 0 | -461 | -1,321 |
| Restructure Reserve | RED | 0 | 0 | -500 | -500 | -1,000 | -1,000 |
| LSVT Reserve | RED | -133 | 11 | 0 | 0 | 11 | -122 |
| Transport Reserve | RED | 0 | 0 | -364 | 0 | -364 | -364 |
| Funding and Programmes Management Reserve | RED | 0 | 0 | -193 | -46 | -239 | -239 |
| North Pennines Reserve | RED | -169 | 169 | 0 | 0 | 169 | 0 |
| Resources Corporate Reserve | Resources | -865 | 200 | -499 | 0 | -299 | -1,164 |
| Resources DWP Grant Reserve | Resources | -86 | 86 | -159 | 0 | -73 | -159 |
| Resources System Development Reserve | Resources | 0 | 0 | -700 | 0 | -700 | -700 |
| Resources Housing Benefit Subsidy Reserve | Resources | 0 | 600 | -1,700 | -100 | -1,200 | -1,200 |
| Resources Land Search Fees Reserve | Resources | 0 | 0 | 0 | -1,000 | -1,000 | -1,000 |
| Resources Elections Reserve | Resources | 0 | 0 | -800 | 0 | -800 | -800 |
| Corporate Regeneration Reserve | Corporate Fin | -578 | 0 | 0 | 0 | 0 | -578 |
| Cabinet Reserve | Corporate Fin | -498 | 0 | 0 | 0 | 0 | -498 |
| Equal Pay Reserve | Corporate Fin | -3,473 | 65 | 0 | 0 | 65 | -3,408 |
| Insurance Reserve | Corporate Fin | -11,284 | 0 | -25 | -532 | -557 | -11,841 |
| Performance Reward Grant Reserve | Corporate Fin | -1,694 | 375 | 0 | 0 | 375 | -1,319 |
| MTFP Redundancy and Early Retirement Reserve | Corporate Fin | -19,798 | 10,246 | 0 | 0 | 10,246 | -9,552 |
| New Homes Bonus Reserve | Corporate Fin | 0 | 0 | -206 | 0 | -206 | -206 |
| Total Non-Schools Reserve | | -58,863 | 18,752 | -19,235 | -93 | -576 | -59,439 |
| Schools' Balances | | | | | | | |
| Schools' Revenue Balance | CYPS | -15,740 | 3,891 | -9,041 | 0 | -5,150 | -20,890 |
| Schools' Unspent Grants | CYPS | -639 | 639 | 0 | 0 | 639 | 0 |
| DSG Reserve | CYPS | -3,607 | 0 | -603 | 0 | -603 | -4,210 |
| Total Schools and DSG Reserve | | -19,986 | 4,530 | -9,644 | 0 | -5,114 | -25,100 |
| Cash Limit Reserves | | | | | | | |
| Assistant Chief Executive | | -894 | 60 | -392 | 93 | -239 | -1,133 |
| Adult Wellbeing and Health | | -5,423 | 0 | -981 | 0 | -981 | -6,404 |
| Children & Young People | | -1,253 | 933 | -1,368 | 0 | -435 | -1,688 |
| Neighbourhood Services | | -1,292 | 0 | -913 | 0 | -913 | -2,205 |
| Regeneration and Economic Dev | | -2,391 | 0 | -569 | 0 | -569 | -2,960 |
| Resources | | -873 | 0 | -623 | 0 | -623 | -1,496 |
| Total Cash Limit Reserves | | -12,126 | 993 | -4,846 | 93 | -3,760 | -15,886 |
| Total Earmarked Reserves | | -90,975 | 24,275 | -33,725 | 0 | -9,450 | -100,425 |

Appendix 5: 2011/12 Housing Revenue Account Outturn Position

| | 2011/12 Budget | 2011/12 Outturn | Variance |
|---|---------------------------|----------------------------|-----------------|
| | £000 | £000 | £000 |
| Income | | | |
| Dwelling Rents | -56,610 | -56,840 | -230 |
| Non Dwelling Rents | | | |
| - Garages [net of voids] | -769 | -813 | -44 |
| - Shops/Other | -96 | -92 | 4 |
| Charges for Services and Facilities | -66 | -147 | -81 |
| Contributions Towards Expenditure | 0 | -30 | -30 |
| Total Income | -57,541 | -57,922 | -381 |
| Expenditure | | | |
| ALMO Management Fee and Outsourced Contract | 18,266 | 18,266 | 0 |
| Repairs and Maintenance | 4,156 | 4,574 | 418 |
| Supervision and Management - General | 4,592 | 5,180 | 588 |
| Supervision and Management - Special | 1,066 | 815 | -251 |
| Rents, rates, taxes and other Charges | 42 | 64 | 22 |
| Negative HRA Subsidy | 4,514 | 3,790 | -724 |
| Depreciation and Impairment of fixed assets [Net MRA Adj] | 11,696 | 11,696 | 0 |
| Debt Management Costs | 120 | 175 | 55 |
| Increase/Decrease in bad debt provision | 250 | 885 | 635 |
| Total Expenditure | 44,702 | 45,445 | 743 |
| Net cost of HRA services per Authority I&E Account | -12,839 | -12,477 | 362 |
| HRA services share of Corporate and Democratic Core | 1,085 | 1,085 | 0 |
| HRA share of other amounts included in the whole authority | | | |
| Net Cost of services but not allocated to specific services | 560 | 407 | -153 |
| Net cost of HRA Services | -11,194 | -10,985 | 209 |
| Interest payable and Similar Charges [Item 8 Debit] | 6,624 | 6,327 | -297 |
| Direct Revenue Financing [Balancing Item on HRA] | 4,659 | 5,380 | 721 |
| Interest and Investment Income [item 8 credit] | -89 | -113 | -24 |
| [Surplus] / Deficit for the year on HRA services | 0 | 609 | 609 |
| Contribution from Stock Options Reserve | 0 | -342 | -342 |
| Contribution from Capital Reserve | | -400 | -400 |
| Actual Position for Year | 0 | -133 | -133 |