

Cabinet

13 March 2013



**Forecast of Revenue and Capital
Outturn 2012/13 for General Fund and
Housing Revenue Account – Period to
31 December 2012**

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

Purpose of the Report

- 1 To provide Cabinet with a forecast of 2012/13 revenue and capital outturn for the period to 31 December 2012 for the Council's General Fund and Housing Revenue Account.

Background

- 2 This report updates the information presented to Cabinet on 14 November showing the forecasted revenue and capital outturn based on expenditure and income up to 30 September 2012 and incorporates the recommended changes to cash limits within Service Groupings agreed by the Cabinet at that meeting.

Revenue

Current Position to 31 December 2012

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

	Original Budget	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecasted Variance
	£'000	£'000	£'000	£'000
Assistant Chief Executive	11,369	12,628	12,280	-348
Children and Adults Services	273,278	264,213	261,323	-2,890
Neighbourhood Services	98,176	114,088	114,230	142
Regeneration and Economic Development Resources	42,513	53,186	52,571	-615
	20,369	22,446	21,083	-1,363
Cash Limit Position	445,705	466,561	461,487	-5,074
Contingencies	11,248	6,497	2,549	-3,948
Corporate Costs	0	1,641	1,577	-64
NET COST OF SERVICES	456,953	474,699	465,613	-9,086
Capital charges	-49,115	-51,722	-51,722	-0
Interest and Investment income	-577	-577	-2,040	-1,463
Interest payable and similar charges	30,715	21,582	23,681	2,099
Net Expenditure	437,976	443,982	435,532	-8,450
Funded By:				
Council tax	-201,788	-201,788	-201,788	0
Council tax freeze grant	-4,989	-4,989	-4,989	0
Use of earmarked reserves	-2,633	-8,459	-6,225	2,234
Revenue Support Grant	-4,245	-4,245	-4,245	0
Re-distributed Non Domestic Rates	-219,006	-219,006	-219,006	0
New Homes Bonus	-2,551	-2,551	-2,551	0
LACSEG Grant	0	0	-1,637	-1,637
Forecast contribution to Cash Limit Reserve	-2,764	-2,944	2,130	5,074
Forecast contribution to General Reserves	0	0	2,779	2,779
TOTAL	-0	-0	-0	-0

Note: Negative figures in the variance column represent an underspend

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

SERVICE GROUPING	PROPOSAL	Amount
		£m
Neighbourhoods	Flooding	1.353
	Olympic Torch Event	0.178
	Premier Waste Income	0.586
	Winter Maintenance	0.677
	Feasibility on Crook Depot Replacement	0.148
RED	Whinney Hill School – Security (Surplus Property)	0.080
	Concessionary Fares	-0.556
Resources	Contribution to Newcastle Airport Support	0.084
	Single Person's Discount Review	0.072
Total		2.622

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

Type of Reserve	Opening Balance as at 1 April 2012	Budgetted use at 1 April 2012	Movement during 2012/13		2012/13 Forecast Outturn
			Planned contribution to (-) or use of reserve	Contribution to (-) or use of reserve	
	£m	£m	£m	£m	£m
Service Grouping Cash Limit					
Assistant Chief Executive	-1.133	0.344	0.111	-0.348	-1.026
Children and Adults Services	-8.092	2.320	0.000	-2.890	-8.662
Neighbourhoods	-2.205	0.100	0.166	0.142	-1.797
Regeneration and Economic Development	-2.960	0.000	0.062	-0.615	-3.513
Resources	-1.496	0.000	-0.159	-1.363	-3.018
TOTAL CASH LIMIT RESERVE	-15.886	2.764	0.180	-5.074	-18.016
General Reserve	-21.874	0.000	0.000	-2.779	-24.653

- 7 The forecasted increase in the level of cash limit and general reserves is a prudent position for the Council to be in and is in line with the budget recommendations considered by Council on 20 February 2013.
- 8 The reasons for the major variances are detailed by each Service Grouping below

Assistant Chief Executive (ACE)

- 9 The forecast revenue outturn for 2012/13 is a cash limit under spend of £0.348m for the year, after taking account of the forecast use of reserves, and items outside the cash limit. This represents an improvement of £0.119m on the previously reported position at quarter 2, which was indicating an under spend of £0.229m.
- 10 The forecast under spend is a managed position, reflecting the proactive management of activity by Heads of Service across ACE to remain within the

cash limit. The main reasons for the projected underspend is the net effect of the following items;

- In line with corporate policy employees are budgeted at 97%. As a result of low vacancy levels within the service following restructures (driven by the requirement to meet MTFP savings targets) employee costs are forecasting a small overspend £51k representing 0.8% of the employees' budget. The forecast overspend in employees is being managed within the service by adjusting planned activity elsewhere within ACE to ensure this overspend is offset.
- The Premises and Transport and Supplies and Services areas of activity are under constant review by managers to minimise spending while still delivering a high level of service and as a result they are expected to deliver a £0.144m underspend. It is of note that the forecast underspend expected by managers is quoted after accounting for additional expenditure to undertake additional service provision which has been 100% funded from external income identified and accessed by ACE managers.
- The Transfer Payments budget is forecast to underspend by £15k as a result of effectively managing the allocation process of making grants to qualifying bodies.
- Income is forecast to over recover by £0.239m. As noted above this primarily is related to activity within Partnership and Community Engagement where managers have been able to identify and access additional funding to support additional activity within the AAP areas. Additionally, support of the 'Police and Crime Panel' which is being co-ordinated by the Overview and Scrutiny function has led to further income of £13k.
- Each of the 14 area action partnerships (AAP) have an 'Area' budget to contribute to local projects of £0.120m in 2012/13. Combined with revenue budgets carried forward from previous years (related to committed expenditure on agreed projects) the total revenue budget across all 14 AAP's is £2.370m. A detailed planning process has indicated the activity for 2012/13 financial year will lead to expenditure of £2.057m (of which £0.960m has actually been expended to end of December). It is anticipated that the remaining £0.313m will be committed to investments in 2013/14 prior to 31 March 2013.
- Each elected member manages a 'Member's Neighbourhood budget' of £25k for priorities in their local AAP areas made up of £15k revenue budget and £10k capital. Prior to 2012/13 all under spends on these budgets have been carried forward, however with Local Elections in 2013/14 only committed budgets will be carried forward into 2013/14.
- In 2012/13 Members' Neighbourhood revenue budget, including sums carried forward from the previous year, totalled £3.495m. It is estimated that activity in 2012/13 will commit expenditure totalling £2.445m.

- 11 Taking the projected outturn position into account, including items proposed to be treated as outside the cash limit, the cash limit reserve to be carried forward for ACE is £1.026m.

Children and Adults Services (CAS)

- 12 The forecast revenue outturn for Children and Adults Services (CAS) is a cash limit under spend of £2.89m, adjustments for sums outside the cash limit such as redundancy costs which are met from the strategic reserves, capital accounting entries and use of / contributions to earmarked reserves. This represents an improvement of £0.557m on the previously reported position at quarter 2, which was indicating an under spend of £2.333m.
- 13 Since the Quarter 2 outturn report was presented to Cabinet, the CAS revenue budget has been increased to take into account the implementation of the pay and reward (job evaluation) outcomes in 2012/13 (£0.997m), and some minor transfers between service groupings. This has resulted in a revised revenue budget of £263.688m.
- 14 The main reasons accounting for the projected outturn position are as follows:
- Early achievement of a number of future year MTFP management and support service proposals, together with the careful management and control of vacancies and general budgets across the service has created a projected net under spend for the year of approximately £4.42m;
 - Net spend on care packages is approximately £0.8m below budget. This area of spend is closely monitored to assess the impact of demographic changes. Savings have arisen from consistent and effective application of the existing eligibility criteria, reducing the level of care packages subsequently commissioned. The service is reviewing its approach to current savings in order to consider increasing the saving associated with consistent application of eligibility criteria. This will need to be carefully considered in light of transition cases, potential for ordinary residence claims and the potential for increased care package costs linked to older carers and general increases in demand;
 - CAS managers have reviewed plans in respect of available one-off additional funding, which has created an in-year contribution to the overall cash limit of £0.78m. It is anticipated that this funding will be utilised to resource the work associated with the outcomes of the LGA efficiency review work linked to the transformation agenda for children and adults;
 - To assist in the management of the demographic pressures facing the service over the MTFP period, the service has targeted a planned under spend for 2012/13, repeating the approach applied in previous years, and a further contribution of £2m to the reserve for demographic pressures/hyperinflation is being actioned during the year;
 - The position within the Children's Care budget indicates a projected overspend of £1.13m. This reflects overspends on transport of £0.4m

in relation to contact visits authorised by courts and associated excess school travel costs. There are also overspends of £1.45m forecast in relation to in-house foster care, adoption fees and external placements; and legal fees are projected to overspend by £0.3m due to additional court fees and external legal fees. These overspends are partially offset by under spending on staff costs of £0.67m and on direct payments of £0.2m within Children's Care.

- 15 Taking the projected outturn position into account, the cash limit reserve to be carried forward for Children and Adults Services £8.662m.

Neighbourhood Services

- 16 The forecast revenue outturn for 2012/13 is a cash limit overspend of £0.142m, after taking account of the forecast use of reserves, and items outside the cash limit. This represents an improvement of £1.145m on the previously reported position at quarter 2, which was indicating an overspend of £1.287m.
- 17 Since the Quarter 2 outturn report was presented to Cabinet, the Neighbourhoods revenue budget has been increased to take into account the implementation of the pay and reward (job evaluation) outcomes in 2012/13 (£0.849m), and some minor transfers from Neighbourhood Services to other Service Groupings. This has resulted in a revised revenue budget of £111.858m.
- 18 The main reasons for the projected overspend of £0.142m is the net effect of the following items;
- There is a forecast overspend of £1.1m due to lower levels of anticipated income within Highways Operations. Work is continuing in terms of identifying additional work, and also areas where costs can be reduced to help further mitigate this position.
 - There is a projected overspend of approximately £0.600m with respect to the centralised repairs and maintenance budget that is now controlled by Direct Services. Approximately £0.300m of this relates to Sport and Leisure facilities.
 - In order to mitigate against previously identified overspends, Neighbourhoods Management team instigated an exercise to further identify areas of the budget where costs can be saved within the service, and as a result there is now an additional under spend on supplies and services across all areas of the service of approximately £0.700m.
 - There is also a projected underspend of £1.2m within Strategic Waste, associated with savings from reduced levels of waste being generated, principally due to the economic climate, and the introduction of Alternate Weekly Collections earlier in the year.
- 19 The forecast outturn is net of a number of areas of expenditure within Neighbourhood Services that have been treated as being outside the cash limit. These are as follows;

- As a consequence of the proposed Company Voluntary Agreement (CVA) with Premier Waste, the County Council will not be receiving £0.586m in outstanding income due from Premier. At the end of Quarter 2, it was agreed that £0.275m relating to 2012/13 would be outside the cash limit. There is also outstanding income of £0.311m relating to 2011/12 that will not now be receivable.
- It has been necessary to provide financial support to undertake a backlog of flooding investigations, and prepare bids for flood prevention schemes over the next year, at a cost of approximately £0.100m. As Local Lead Flooding Authority, the County Council is required to investigate the cause of flooding incidents, and determine if preventative measures can be implemented. In addition, a further £0.172m is required to provide an additional two gully motors for a six month period to mitigate against silt run off as a consequence of the severe weather experienced over recent months. These costs are outside the current budget provision and it is requested that these additional costs of £0.272m are treated as being outside of the cash limit.
- At the end of Quarter 1 Neighbourhoods received a revenue budget adjustment of £0.508m to deal with flooding incidents in the early part of this year. The Quarter 3 forecast outturn includes additional expenditure as a result of the flooding incidents in September (£0.214m) and November (£0.359m). This involved additional unbudgeted costs incurred in the areas of Highways, Countryside, Street Scene and Building Works. It is requested that these additional costs of £0.573m should also be treated as being outside of Neighbourhood Services cash limit.
- It is projected that there will be an overspend on Winter Maintenance of £0.677m as a result of increased activity during the January following several periods of snow and severe icy conditions. It is requested that this overspend is treated as being outside the cash limit.
- Finally, there are abortive feasibility and design costs of £0.148m relating to the proposed capital scheme for a replacement depot for Queen Street, Crook. Neighbourhood Services vacated the original depot to enable a proposed major hypermarket development to progress. However feasibility studies have identified that the land on the proposed replacement site for the depot is too contaminated to proceed. As a result the capital scheme has been discontinued, so the feasibility costs incurred must be charged to revenue. It is requested that £0.148m is treated as outside the cash limit, as Neighbourhood Services did not initiate the scheme, and have no revenue budget to meet these abortive costs.

- In summary the following items are requested to be treated as being outside of Neighbourhood Services' cash limit

	£
- 2011/12 Income due from Premier Waste	0.311
- Additional flooding investigations and gully cleaning	0.272
- Flooding repairs from September and November	0.573
- Overspend on Winter maintenance	0.677
- Feasibility study for Crook Depot Replacement	0.148
	<hr/> 1.981 <hr/>

- 20 Taking the projected outturn position into account, including items proposed to be treated as outside the cash limit, the cash limit reserve to be carried forward for Neighbourhood Services is £1.797m.

Regeneration and Economic Development (RED)

- 21 The 2012/13 forecast outturn for Regeneration and Economic Development is a cash limit underspend of £0.615m. 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.

- 22 The main reasons accounting for the outturn position are shown below:

- Strategy Programmes and Performance - £0.112m saving due to the freezing of vacant posts and other general efficiency savings on Supplies and Services.
- Economic Development and Housing - £80k underspend primarily due to savings on employee costs resulting from vacant posts, maternity leave and staff now working reduced hours.
- Planning and Assets - £0.457m underspend which is broken down into a £0.527m underspend in the Planning service and a £70k overspend on Assets. Building control income is lower than budget by £0.250m although planning fee income is higher and is offsetting this budget pressure. The underspend in the Planning service results from vacant posts and other efficiency savings on Transport, Supplies and Services, etc. Assets is experiencing income pressures mainly from Newgate Street in Bishop Auckland, the Bracken Centre and Millenium Square in Durham City where rental income is not being achieved.
- Transport - £34k overspend which is primarily due to the non-realisation of budgeted vacancy savings and additional costs incurred for agency staff to cover for sickness on statutory duties.

Resources

- 23 The forecast revenue outturn for 2012/13 is a cash limit under spend of underspend of £1.427m, of which £1.363m is within the cash limit. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from the strategic reserves, capital accounting entries

and use of / contributions to earmarked reserves. This represents an improvement of £0.436m on the previously reported position at quarter 2, which was indicating a cash limit under spend of £0.927m.

24 The main reasons for the projected underspend is the net effect of the following items;:

- Employee costs are forecast to be £1.510m below budget, which is primarily as a result of the planned early achievement of the proposed 2013/14 MTFP saving requirements linked to the unitisation of Finance and Human Resources. Proactive management of vacancies within Legal and Democratic Services, Internal Audit and ICT is intended to minimise the cost and disruption of restructures planned for 2013/14. The restructures linked to unitisation have achieved enough savings to meet the proposed 2013/14 MTFP savings requirements and after accounting for transition contributes significantly to the forecast underspend in 2012/13.
- Premises costs are forecast to marginally underspend by £32k. The forecast underspend is due mainly to reduced spend on general repairs and maintenance.
- Transport costs are forecast to underspend by £0.136m. This is due to lower than anticipated spend on car allowances across the Service.
- Supplies and Services costs are forecast to overspend by £0.717m. Contributing to the overspend are costs in Finance associated with the introduction of Hyperion and Business Intelligence budgeting tools within the Oracle financials system and the cost of outsourced work packages in respect of Benefits.
- Whilst Housing / Council Tax Benefit payments (included in Transfer Payments and Central Support) are forecast to overspend by £7.841m, this is offset by additional subsidy from Government and therefore has a net nil impact. These budgets are treated as outside the Resources cash limit.
- Income is forecast to over recover by £0.454m. This is primarily due to a forecast increase in court fee income within the council tax and business rates recovery services of £0.418m.

25 Sums treated as outside the cash limit total £0.156m and consist of the following items:

- a £84k contribution to the 'Beacon' project in respect of the refinancing of Newcastle Airport; and
- a £72k contribution to the Single Persons Discount Review.

26 A range of activities result in the utilisation of a net £0.360m of earmarked reserves held corporately and within Resources:

- £0.901m use of the corporate redundancy reserve connected with MTFP linked restructuring exercises;

- £77k use of the Equal Pay reserve to fund the implementation of the Job Evaluation exercise;
- £0.521m use of the Housing Benefit Subsidy reserve to meet the cost of the 2011/12 DWP recovery of subsidy;
- £0.418m contribution to the procurement reserve from over recovery of supplier rebate income in the year.
- £0.200m creation of a reserve for Legal Expenses.

27 Taking the projected outturn position into account, including items proposed to be treated as outside the cash limit, the cash limit reserve to be carried forward for Resources is £3.018m.

Central Budgets

- Interest Payable and Similar Charges - Capital Financing

28 Capital financing costs are forecast to overspend by £2.099m. This is a result of a combination of in-year savings of £7.286m being achieved which have allowed a budget transfer of £9.385m to be made to RED to cover the cost of the council's share of refinancing of Newcastle Airport. The forecast savings are due to lower than forecast interest rates on loans and delayed borrowing decisions due to higher levels of cash balances than forecast.

- Interest and Investment Income

29 The forecast of outturn is an overachievement of income of £1.463m which is due to a higher than anticipated level of cash balances. This is due in the main to slower than expected use of reserves and capital spend. In addition, interest on the loan relating to the refinancing of the Airport and associated fees have been included in this figure.

- Local Authority Central Spend Equivalent Grant (LACSEG) Fund

30 Following a successful legal challenge, Durham County Council has received an amount of £0.637m in 2012/13 in respect of the Government's top slice of the LACSEG grant to fund new academy schools in 2011/12 which was proven to have been 'illegal'. This payment will be used to offset any redundancy costs associated with downsizing of 'centrally managed' Behavioural Support Services, following the decision by the Schools Forum on 15 October 2012 not to 'de-delegate' Dedicated School Grant to fund these pan-county strategic services from 1 April 2013. At present the payment has been added to the Council's general reserves and future reports will detail the redundancy costs as they become known.

31 In addition, it is anticipated that a further £1m will be received before 31 March 2013 in respect of the Government's top slice of the LACSEG grant in 2012/13.

Earmarked Reserves Forecast

- 32 Appendix 4 details the forecast use of Earmarked Reserves in 2012/13. Based on the latest forecast the position at the end of the year is estimated to be as follows:

	Non-Schools	Schools and DSG	Cash Limits	TOTAL
	£m	£m	£m	£m
Opening Earmarked Balances as at 1 April 2012	-59.439	-25.100	-15.886	-100.425
Less/Plus Forecasted usage/increase of Earmarked Reserves	6,225	-0.000	-2.130	4,095
Forecasted Earmarked Reserve Balance as at 31 March 2013	-53.214	-25.100	-18.016	-96.330

Possible future revenue issues

- 33 An issue which may have an impact on the revenue outturn position has arisen. The County Council holds shares in Durham County Waste Management Company, with a balance sheet value of £1.158m. This entry in the balance sheet will need to be removed in the current financial year. In normal circumstances, the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires that the impairment of these shares would be a charge to the Council's revenue account, where there is no 'Available for Sale' reserve to mitigate the impact.
- 34 A balance does exist in the Council's 'Capital Adjustment Account' in respect of the shares, which when purchased in 1993 were accounted for as capital expenditure. This was in line with the accounting treatment required in 1993/94 when the shares were acquired and could be used to mitigate the impact on revenue in 2012/13 but this course of action will need to be approved by our External Auditors.
- 35 At this stage, the impact of impairment of the shares has not been included in the forecast of outturn.

Housing Revenue Account (HRA)

- 36 In summary, the HRA shows a forecasted balanced outturn position on the revenue account after using a projected surplus of £0.705m towards the capital programme. The main variances are explained below:
- Repairs and Maintenance £0.558m overspend – this results from an increased cost per void as a result of the implementation of the lettable standard scheme in 2010/11. In addition, an overspend is being

incurred as a result of problems encountered with specific Gas Boilers purchased prior to LGR, which are now out of warranty and as a result of a higher than anticipated demand on general responsive repairs;

- Supervision and Management £0.243m underspend – this is a managed underspend on the Service Improvement budget to compensate for the overspend on Repairs and Maintenance;
- HRA Subsidy £94k underspend – this is a refund due to the Council resulting from Housing Subsidy payments made to the DCLG in 2011/12;
- Interest Payments £0.884m underspend – this results from a lower interest rate and lower Outstanding Loan Debt than originally anticipated;
- Revenue Support to Capital £0.705m surplus – the balancing item on the HRA which identifies the potential resources available to support the capital programme and reduce our reliance on borrowing.

37 Cabinet has previously approved a budget of £0.550m to support the housing stock options appraisals process (29 June 2010 and 22 December 2010), which has now been fully utilised. It is expected that an additional £0.400m will be required to cover the cost incurred during 2012/13. This has been financed from savings and contingencies during 2012/13.

38 Following the Housing Stock Options Appraisals Report to Cabinet on 12 December 2012, it was resolved that the Council pursue Large Scale Voluntary Transfer (LSVT) as the preferred option for the future management and ownership of the stock. In light of this, a further budget approval of £0.500m is proposed to support the transfer process, this is to be financed from the HRA reserve.

Capital

Background

39 The General Fund (GF) capital budget for 2012/13 was set at £197.436m and was approved by Cabinet on 22 February 2012. Re-profiling from the 2011/12 capital programme into 2012/13, amounting to £32.214m, was reported to Cabinet on 11 July 2012.

40 The Housing Revenue Account (HRA) budget was set at £44.854m with re-profiling of £1.465m from 2011/12 to 2012/13.

41 The Capital Member Officer Working Group (MOWG) has since reviewed the capital programme and taken into account further developments and analysis of changes and demands on resources. The recommendations following the MOWG review are included in this report.

Current Position

42 As part of the Medium Term Financial Plan 2, services have re-profiled the capital programme over the years in which expenditure is expected to be incurred.

- 43 The following tables summarise the original budget, slippage and revisions reported to MOWG and approved by Cabinet on 6 February 2013. The tables also show the forecast outturn for each service and actual spend as at 31 December 2012:

General Fund Capital Programme 2012/13

Service	Original Budget	Reprofiled budget from 2011/12	Amendments recommended by MOWG	Revised Budget 2012/13	Projected Outturn 2012/13	Actual Spend to 31 December 2012
	£'000	£'000	£'000	£'000	£'000	£'000
ACE	3,703	641	-2,477	1,867	1,867	897
CAS	98,639	12,745	-41,343	70,041	70,041	43,672
NEI	29,867	1,321	-4,784	26,403	25,834	15,255
RED	43,079	16,743	-9,915	49,907	49,907	28,374
RES	22,148	611	-18,177	4,582	3,187	1,916
Other	-	153	-	153	-	-
Total	197,436	32,214	-76,696	152,954	150,836	90,113

Housing Revenue Account Capital Programme 2012/13

Service	Original Budget	Reprofiled budget from 2011/12	Amendments recommended by MOWG	Revised Budget 2012/13	Projected Outturn 2012/13	Actual Spend to 31 December 2012
	£'000	£'000	£'000	£'000	£'000	£'000
HRA	44,854	1,465	-845	45,474	45,474	29,995

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

Financing – General Fund Capital Programme 2012/13

Financing	Original Budget	Reprofiled budget from 2011/12	Amendments recommended by MOWG	Revised Budget 2012/13
	£'000	£'000	£'000	£'000
Grants and Contributions	85,490	14,300	-34,603	65,187
Revenue and Reserves	5,426	380	7,836	13,642
Capital Receipts	21,608	-	-1,798	19,810
Borrowing	84,912	17,534	-48,131	54,315
Total	197,436	32,214	-76,696	152,954

Financing – Housing Revenue Account Capital Programme 2012/13

Financing	Original Budget	Reprofiled budget from 2011/12	Amendments recommended by MOWG	Revised Budget 2012/13
	£'000	£'000	£'000	£'000
Grants and Contributions	13,000	-	-	13,000
Revenue and Reserves	22,080	-	1,000	23,080
Capital Receipts	525	-	-	525
Borrowing	9,249	1,465	-1,845	8,869
Total	44,854	1,465	-845	45,474

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

Assistant Chief Executive (ACE)

- 46 The Member's Neighbourhood capital budget available in 2012/13 totalled £1.260m which is augmented with capital budgets carried forward leading to £2.985m capital budget being available. £1.308m of this budget has already been transferred to other services to deliver Members initiatives. The planning and approval processes are currently underway to determine further activity in 2012/13 but it is anticipated that this capital budget will be fully expended in 2012/13.
- 47 Capital budgets to complete the Community Building initiative totals £2.15m with £20k budgeted within 2012/13. It is anticipated that activity within 2012/13 will fully spend the current year's budget allocation.
- 48 A capital budget of £0.170m was transferred to ACE in December for works at Leadgate Community Centre. It is expected that this will also be completed in 2012/13.

Children and Adults Services

- 49 The revised original Children and Adults Services capital programme for 2012/13 (including slippage from 2011/12) was £111.384m. Further amendments to the budget were agreed by MOWG during the year, giving a revised capital programme of £70.041m for 2012/13.
- 50 The capital funds currently available have been reprofiled to reflect latest planning and construction timelines and the planned spend over the next 3 financial years is set out below:-

	£m
2012/13	70.041
2013/14	55.143
2014/15	24.005

- 51 The 2012/13 capital spend for CAS as at 31 December 2012 is £43.672m.
- 52 The projected capital outturn of £70.041m for 2012/13 is in line with the revised budget.
- 53 The Council received Capital Maintenance grant allocations from the Government of £9.8m in 2011/12 and £7.7m in 2012/13. As well as investing in capital projects at Whitworth Park School and Elemore Hall School which are currently underway, the Schools Capital Programme 2012/13 and Beyond report to MOWG in October 2012 identified the next highest priorities for funding. MOWG approved the allocation of £7.9m of funding to projects at Wolsingham School and Community College, The Meadows Special School and Harelaw Special School and this budget was reprofiled to 2013/14 to reflect the planned start of the projects.
- 54 Work is being carried out at Wolsingham School and Community College to assess the options for remodelling the existing school accommodation to bring the school onto a single site. Existing accommodation at The Meadows Special School will be remodelled in order to enhance provision. This will

provide sports facilities and improve buildings to allow delivery of a new curriculum. An options appraisal is currently underway to determine the most suitable site for a remodel of Harelaw Special School in order to enhance curriculum provision.

- 55 Precise details of the project briefs for these 3 schools are still being finalised and once more details are available they will be reported.

Neighbourhood Services

- 56 The revised capital budget for Neighbourhood Services is £26.403m, which takes into account transfers between service groupings, any additional capital grant and contributions and re-profiling of schemes between financial years. The forecast of outturn against the revised budget is an under spend of £0.569m.

- 57 The main reasons for this variance is as follows;

- *Queen Street Depot - £0.148m under spend*
The scheme to replace Queen Street Depot will no longer go ahead due to contamination issues on the proposed site. The project has incurred costs to date relating to design works, feasibility studies and site investigation works which amount to £0.148m. As the project is no longer going ahead, these costs cannot be charged to a capital budget and therefore need to be transferred to revenue, producing an under spend in the capital programme.
- *Live Track System - £0.108m under spend*
This scheme is forecast to underspend by £0.108m in this financial year. This project has been subject to procurement delays as joint procurement options were fully explored with neighbouring authorities. The underspend relates to the purchase of software, where costs will be incurred on a phased basis rather than 'up front'. The project will incur £42k of spend this financial year and the remaining £0.108m will be paid in June and August 2013.
- *Blackhill Park – Flood Damage - £0.100m under spend*
Whilst site investigation works have been completed work is on-going to refine the scheme costs produce a viable scheme within budget. £0.100m has previously been re-profiled into 2013/14 leaving a budget of £0.400m for 2012/13. Although works for this scheme have not yet commenced, they are now programmed towards the end of this financial year, with an estimated £0.100m now expected to fall into 2013/14, producing the forecast under spend.
- *Leisure Centre Invest to Save Schemes - £0.207m under spend*
The service has two Invest to Save schemes, relating to Soft Play Equipment and a Healthy Eating Café at Freemans Quay. After further investigations it was determined that it was no longer viable for the service to proceed with these schemes and therefore this budget will no longer be required, producing an under spend of £0.207m against the revised programme.

Regeneration and Economic Development (RED)

- 58 The Regeneration and Economic Development capital programme was revised at Outturn for budget rephased from 2011/12 and Assets budgets transferred from the ACE service grouping. This increased the 2012/13 budget to £65.325m. Further reports to the MOWG during the year detailed further revisions, for grant additions/reductions, budget transfers, budget reprofiling into later years and the re-financing of Newcastle International Airport Limited (NIAL). The revised budget now stands at £49.907m.
- 59 Actual spend to 31 December amounts to £28.374m. There has been significant spend to progress the implementation of the Local Transport Plan (£1.666m) and the Durhamgate scheme (£4.633m), to improve transport infrastructure in the County. Other significant spend has been made on the Disabled Facilities Grants and Helping Hands Loans Schemes (£2.583m) and the Housing Renewal Programme (£2.323m), to improve and support private sector housing.
- 60 Following financial closure of the refinancing deal, actual spend also includes the refinancing of NIAL (£9.663m). Cabinet previously approved the continued participation of the council in the refinancing of NIAL (£9.385m) and the purchase of NIAL shares from Darlington Borough Council (£0.278m). This has now been included in the revised capital budget.
- 61 Other areas of the programme are profiled to be implemented in the final quarter and it is anticipated that the projected outturn at 31 March 2013 will be in line with the revised budget.

Resources

- 62 The Resources Capital Programme for 2012/13 has been proactively managed during the year and reprofiling has been agreed at the Capital Member Officer Working Group, who continue to review progress against the agreed programme on a scheme by scheme basis. Reasons for any slippage and necessary reprofiling have been thoroughly challenged.
- 63 Planned and budgeted capital expenditure of £12.399m has been reprofiled into 2013/14 and £6.827m has been transferred to other services. The capital budget was also increased by £50k, financed by Direct Revenue Financing for the purchase of vehicles and printing equipment for ICT.
- 64 The capital budget was further increased by £1.12m in order to invest in a Business Continuity (BC) site to be used in the event that the Tanfield Data Centre is ever to become disabled for more than 8 hours.
- 65 The revised 2012/13 Resources Capital Programme is £4.582m. Expenditure of £1.916m has been incurred within Resources in the first three quarters, which equates to 55% of the 2012/13 budget. It is anticipated that 92% of the capital budget will be spent in 2012/13, leaving a £0.276m under spend at the year end, due to delays in laying ducting for Dark Fibre Networking and due to business continuity considerations relating to the Tanfield Power Upgrade. The progress of these schemes will be closely monitored throughout the remaining months of the year and consideration will be given in the outturn report as to whether this under spend can be carried forward to 2013/14.

Housing Revenue Account (HRA)

- 66 The 2012/13 HRA Capital Programme, as agreed by Council on 22 February 2012, was £44.854m and this was subsequently increased by £0.619m, reflecting re-profiling from 2011/12 and to 2013/14 plus savings in the budget, giving a total revised budget of £45.474m.
- 67 The HRA programme has been significantly supported with £13m of Homes and Communities Agency Decent Homes Backlog Grant funding, with £12m being used in the East Durham Homes area. In the first nine months of the financial year a total of 846 properties have been brought up to the Decent Homes standard, which is ahead of the anticipated progress against the annual target of 982.
- 68 For the whole HRA capital programme actual spend for the first three quarters amounts to £29.995m and it is anticipated that the projected outturn at 31 March 2013 will be in line with the revised budget. The programme anticipates improvements will be made to around 3,500 properties in 2012/13.

Recommendations

- 69 It is recommended that Cabinet:
- Note the projected change in the Council's overall financial position for 2012/13.
 - Agree the proposed 'sums outside the cash limit' for approval.
 - Agree the revenue and capital budget adjustments.
 - Note the forecast use of Earmarked Reserves.
 - Note the forecast end of year position for the Cash Limit underspend reserves.
 - Note the position for the Housing Revenue Account.
 - Note the position for the Capital Programme.

Contact: Jeff Garfoot

Tel: 03000 261946

Appendix 1: Implications

Finance -

The report details the 2012/13 forecast of outturn position for Revenue and details the forecast movement on Reserves.

Staffing -

None

Risk -

None

Equality and Diversity / Public Sector Equality Duty -

None

Accommodation -

None

Crime and Disorder -

None

Human Rights -

None

Consultation -

None

Procurement -

None

Disability Issues -

None

Legal Implications -

None

Appendix 2: Revenue Summary 2012/13

	Original Budget	Revised Budget	Proposed Budget Revisions	Cash Limit Reserve	Contribution to / Use of Earmarked Reserves	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecasted Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assistant Chief Executive	11,369	11,093	63	0	1,472	12,628	12,280	-348
Children and Adults Services	273,278	262,471	1,216	0	526	264,213	261,323	-2,890
Neighbourhood Services	98,176	110,273	3,566	24	225	114,088	114,230	142
Regeneration and Economic Development Resources	42,513	43,790	9,133	-145	408	53,186	52,571	-615
	20,369	20,227	1,791	200	228	22,446	21,083	-1,363
Cash Limit Position	445,705	447,854	15,769	79	2,859	466,561	461,487	-5,074
Contingencies	11,248	10,447	-3,950	0	0	6,497	2,549	-3,948
Corporate Costs	0	1,641	0	0	0	1,641	1,577	-64
NET COST OF SERVICES	456,953	459,942	11,819	79	2,859	474,699	465,613	-9,086
Capital charges	-49,115	-49,115	-2,607			-51,722	-51,722	-0
Interest and Investment income	-577	-577				-577	-2,040	-1,463
Interest payable and similar charges	30,715	30,794	-9,212			21,582	23,681	2,099
Net Expenditure	437,976	441,044	0	79	2,859	443,982	435,532	-8,450
Funded By:								
Council tax	-201,788	-201,788				-201,788	-201,788	0
Council tax freeze grant	-4,989	-4,989				-4,989	-4,989	0
Use of earmarked reserves	-2,633	-5,600			-2,859	-8,459	-6,225	2,234
Revenue Support Grant	-4,245	-4,245				-4,245	-4,245	0
Re-distributed Non Domestic Rates	-219,006	-219,006				-219,006	-219,006	0
New Homes Bonus	-2,551	-2,551				-2,551	-2,551	0
LACSEG Grant	0	0				0	-1,637	-1,637
Forecast contribution to Cash Limit Reserve	-2,764	-2,865		-79		-2,944	2,130	5,074
Forecast contribution to General Reserves	0	0				0	2,779	2,779
TOTAL	-0	0	0	0	-0	-0	-0	-0

Appendix 3: Revenue Summary by Expenditure / Income for the period ended 31 March 2013

	Original Budget	Agreed Budget	Service Groupings Forecast of Outturn	Corporate Costs	Sums Outside the Cash Limit	Cash Limit Reserve	Contribution to / Use of Earmarked Reserves	Revised Service Outturn	Forecasted Variance (including Corporate Costs)	Forecasted Variance - Corporate Costs
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees	516,389	523,285	515,947	0	-100	0	-782	515,066	-8,219	0
Premises	55,144	51,379	52,582	0	0	0	0	52,582	1,203	0
Transport	52,620	52,965	51,243	0	0	0	0	51,243	-1,722	0
Supplies & Services	120,541	126,487	125,608	1,701	-431	-30	-946	125,902	-585	-98
Agency & Contracted	228,398	229,847	228,321	56	-980	0	-27	227,370	-2,477	0
Transfer Payments	258,751	256,956	264,340	0	0	0	-343	263,997	7,041	0
Central Costs	85,038	92,053	93,049	0	0	-25	0	93,024	971	0
Other	1,131	8,301	11,194	0	0	0	0	11,194	2,893	0
Capital Charges	49,115	51,722	51,722	0	0	0	0	51,722	0	0
GROSS EXPENDITURE	1,367,128	1,392,995	1,394,006	1,757	-1,511	-55	-2,098	1,392,099	-895	-98
Income										
- Specific Grants	597,299	606,020	611,017	14	0	0	521	611,552	-5,532	0
- Other Grants & conts	25,984	28,710	30,318	0	0	0	-1	30,317	-1,607	0
- Sales	8,397	8,597	8,332	0	0	0	0	8,332	265	0
- Fees & charges	102,147	106,942	109,736	0	311	24	-12	110,059	-3,117	0
- Recharges	172,201	165,300	158,853	16	0	0	253	159,122	6,177	0
- Other	15,394	13,984	14,263	150	0	0	0	14,413	-430	34
Total Income	921,423	929,552	932,519	180	311	24	761	933,795	-4,243	34
NET EXPENDITURE	445,705	463,442	461,487	1,577	-1,822	-79	-2,859	458,304	-5,138	-64

Appendix 4: Earmarked Reserves Position as at 31 December 2012

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	2011/12 CLOSING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	2012/13 CLOSING BALANCE
ACE AAP/Members Reserve	ACE	-2,364	931	0	0	931	-1,433
ACE Grant Reserve	ACE	-233	0	0	0	0	-233
ACE Operational Reserve	ACE	-140	0	0	0	0	-140
Heritage and Culture Reserve	CAS	-209	100	-300	0	-200	-409
Social Care Reserve	CAS	-9,368	4,478	-2,000	0	2,478	-6,890
Health and Wellbeing Reserve	CAS	-1,347	902	0	0	902	-445
Community Safety Reserve	CAS	-75	75	0	0	75	0
Aycliffe Young People's Centre Reserve	CAS	-475	35	0	0	35	-440
Continuing Professional Development Reserve	CAS	-373	0	0	0	0	-373
Education Reserve	CAS	207	167	0	0	167	374
CYPS Leisure Reserve	CAS	-52	0	0	0	0	-52
Special Projects Reserve	CAS	-60	0	0	0	0	-60
Neighbourhoods AAP Reserve	NS	-504	163	0	0	163	-341
Customer Services Reserve	NS	-360	360	0	0	360	0
Direct Services Reserve	NS	-1,406	369	0	0	369	-1,037
Env. Health and Consumer Protection Reserve	NS	-141	5	0	0	5	-136
Sport and Leisure Reserve	NS	-1,765	515	-166	0	349	-1,416
Strategic Waste Reserve	NS	-104	104	0	0	104	0
Transport Asset Management Programme Reserve	NS	-365	51	0	0	51	-314
Economic Development Reserve	RED	-1,666	30	0	-60	-30	-1,696
Planning Reserve	RED	-1,774	105	0	0	105	-1,669
Employability and Training Reserve	RED	-855	189	0	0	189	-666
RED Regeneration Reserve	RED	-990	434	0	0	434	-556
Housing Regeneration Reserve	RED	-95	74	0	0	74	-21
Housing Solutions Reserve	RED	-1,321	230	0	0	230	-1,091
Restructure Reserve	RED	-500	0	0	0	0	-500
LSVT Reserve	RED	-122	10	0	0	10	-112
Transport Reserve	RED	-364	0	0	0	0	-364
Funding and Programmes Management Reserve	RED	-193	41	0	0	41	-152
North Pennines Reserve	RED	0	0	0	0	0	0
Resources Corporate Reserve	Resources	-1,164	0	-417	60	-357	-1,521
Resources DWP Grant Reserve	Resources	-159	0	0	159	159	0
Resources System Development Reserve	Resources	-700	0	0	0	0	-700
Resources Housing Benefit Subsidy Reserve	Resources	-1,200	521	-900	0	-379	-1,579
Resources Land Search Fees Reserve	Resources	-1,000	0	0	0	0	-1,000
Resources Legal Expenses	Resources	0	0	-200	0	-200	-200
Resources Elections Reserve	Resources	-800	0	0	0	0	-800
Corporate Regeneration Reserve	Corporate Fin	-578	0	0	578	578	0
Cabinet Reserve	Corporate Fin	-498	0	0	0	0	-498
Equal Pay Reserve	Corporate Fin	-3,408	77	-3,834	0	-3,757	-7,165
Insurance Reserve	Corporate Fin	-11,841	0	0	0	0	-11,841
Performance Reward Grant Reserve	Corporate Fin	-1,319	246	0	-578	-332	-1,651
MTFP Redundancy and Early Retirement Reserve	Corporate Fin	-9,552	3,671	0	0	3,671	-5,881
New Homes Bonus Reserve	Corporate Fin	-206	0	0	0	0	-206
Total Non-Schools Reserve		-59,439	13,883	-7,817	159	6,225	-53,214
Schools' Balances							
Schools' Revenue Balance	CAS	-20,890	0	0	0	0	-20,890
Schools' Unspent Grants	CAS	0	0	0	0	0	0
DSG Reserve	CAS	-4,210	0	0	0	0	-4,210
Total Schools and DSG Reserve		-25,100	0	0	0	0	-25,100
Cash Limit Reserves							
Assistant Chief Executive		-1,133	455	-348	0	107	-1,026
Children and Adults Services		-8,092	2,320	-2,890	0	-570	-8,662
Neighbourhood Services		-2,205	408	0	0	408	-1,797
Regeneration and Economic Dev		-2,960	232	-785	0	-553	-3,513
Resources		-1,496	0	-1,363	-159	-1,522	-3,018
Total Cash Limit Reserves		-15,886	3,415	-5,386	-159	-2,130	-18,016
Total Earmarked Reserves		-100,425	17,298	-13,203	0	4,095	-96,330

Appendix 5: Forecasted Housing Revenue Account to 31 March 2013

	Annual Budget	Projected Outturn	Forecasted Variance
	£000	£000	£000
Income			
Dwelling Rents	-60,115	-60,130	15
Non Dwelling Rents			
- Garages [net of voids]	-899	-900	1
- Shops/Other	-96	-100	4
Charges for Services & Facilities	-105	-94	-11
Contributions towards Expenditure	-250	-259	9
Total Income	-61,465	-61,483	18
Expenditure			
ALMO Management Fee + Outsourced Contract	17,266	17,266	0
Repairs & Maintenance	4,187	4,745	-558
Supervision & Management - General	4,550	4,307	243
Supervision & Management - Special	549	525	24
Rents, Rates, Taxes & other Charges	100	100	0
Negative HRA Subsidy		-94	94
Depreciation & Impairment of fixed assets [Net MRA Adj]	15,510	15,510	0
Increase/Decrease in bad debt provision	916	916	0
Debt Management Costs	186	186	0
Total Expenditure	43,264	43,461	-197
Net cost of HRA services per Authority I&E Account	-18,201	-18,022	-179
HRA services share of Corporate & 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	402	402	0
Net cost of HRA Services	-16,714	-16,535	-179
Interest Payable & Similar Charges	12,234	11,350	884
Direct Revenue Financing [Balancing Item on HRA]	4,570	5,275	-705
Interest & Investment Income	-114	-114	0
[Surplus] / Deficit for the year on HRA services	-24	-24	0