

## **Cabinet**

**16 July 2014**

### **2013/14 Final Outturn for General Fund, Housing Revenue Account and Collection Fund**



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#### **Report of Corporate Management Team**

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#### **Purpose of the Report**

- 1 To provide Cabinet with details of the revenue and capital outturn for both the General Fund and the Housing Revenue Account (HRA) for 2013/14, and also provides the outturn for the Collection Fund in respect of Council Tax collection and Business Rates collection.

#### **Background**

- 2 In setting the 2013/14 budget, the Council continued to face unprecedented levels of reductions in Government grants. Over the period of the current Comprehensive Spending Review (CSR) period to 31 March 2015 the expectation for local government was a 28% cut in Government grant for the period 2011/12 to 2014/15. Since then, the position has deteriorated further for local government and in total the Council is forecasting that Government support over the six year period 2011 to 2017 will reduce by £139m, which equates to a 36% reduction in Government support over this period.
- 3 The Council agreed a net revenue budget of £457.814m for 2013/14. Factoring in cuts in Government grant, inflation and other budget pressures required the delivery of £20.900m of savings in 2013/14 in order to deliver a balanced budget.
- 4 Quarterly forecast outturn reports have been considered by Cabinet throughout the 2013/14 financial year.
- 5 This final outturn for 2013/14 has been determined as part of the production of the Annual 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**

- 6 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 for Service Groupings**

7 The overall outturn for the Council is shown in Appendix 2, which shows details of how the cash limit outturn for each Service Grouping is calculated. Two key elements have been excluded from the Service Grouping outturn when calculating the cash limit outturn as detailed below:

(i) Sums Outside the Cash Limit

Some expenditure and Income should 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).
- Exceptional items and expenditure pressures which were not accounted for in the service grouping base budget build and which are covered by contingencies or earmarked reserves held corporately e.g. Flooding and additional Winter Maintenance due to exceptional long periods of ice or snow and redundancy costs linked to Medium Term Financial Plan (MTFP) savings proposals.

(ii) Use of or Contribution to Earmarked Reserves

Sums that Service Groupings have utilised or contributed to Earmarked Reserves, have been excluded from their outturn position in order to calculate their cash limit position.

8 After taking into account the above exclusions, through tight budgetary control by managers and robust delivery of financial savings targets, all Service Groupings have generated a cash limit underspend in 2013/14 apart from the Regeneration and Economic Development Service Grouping who incurred a relatively small overspend of £0.248m but this was after taking into account a contribution of £0.875m to the Council's MTFP Redundancy and Early Retirement Reserve.

9 The 2013/14 cash limit position for each Service Grouping is detailed in the table below:

Type of Reserve	Opening Balance as at 1 April 2013	Budgetted use at 1 April 2013	Movement during 2013/14		Closing Balance as at 31 March 2014
			Planned contribution to (-) or use of reserve	Contribution to (-) or use of reserve	
	£m	£m	£m	£m	£m
<b>Service Grouping Cash Limit</b>					
Assistant Chief Executive	-1.165	0.389	-0.108	-0.121	-1.005
Children and Adults Services	-9.732	2.991	1.700	-7.538	-12.579
Neighbourhoods	-2.311	0.139	0.356	-0.966	-2.782
Regeneration and Econ Development Resources	-3.416	0.000	0.161	0.248	-3.007
	-3.280	0.000	0.084	-0.367	-3.563
<b>TOTAL CASH LIMIT RESERVE</b>	<b>-19.904</b>	<b>3.519</b>	<b>2.193</b>	<b>-8.744</b>	<b>-22.936</b>

## Revenue Outturn

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

	£m	£m
Gross Expenditure		1,355.563
Less:		
Gross Income		<u>-958.024</u>
Net Expenditure		397.539
Financed by:		
Council Tax	164.469	
Council Tax Freeze Grant	2.029	
Start Up Funding Assessment	278.342	
Capitalisation Provision Redistribution Grant	0.881	
New Homes Bonus	4.799	
New Homes Bonus – re-imburement	0.943	
Section 31 Grant – Small Business Rate Relief	2.191	
Education Services Grant	7.685	
Net Contribution to Cash Limit Reserves	-3.032	
Net Contribution to Earmarked Reserves:		
Schools and DSG	-7.010	
Non-Schools	-50.036	
Net Contribution to the General Reserve	-3.722	
<b>Total Financing</b>		<b>397.539</b>

11 The final outturn position for the Council's General Reserve is detailed below:

	<b>£m</b>
Opening Balance as at 1 April 2013	-24.410
Add:	
Net Contribution to the General Reserve in 2013/14	-3.722
<b>Closing General Reserve Balance as at 31 March 2014</b>	<b>-28.132</b>

12 The General Reserve balance carried forward of £28.132m is within the Council's General Reserves policy of retaining between 5% and 7.5% of the Net Budget Requirement, which in cash terms equates to between £22m and £33m. The £28.132m balance at 31 March 2014 equates to 6.4% of 2014/15 Net Revenue Expenditure Budget and gives the Council options in Medium Term Financial Plan (5) to use some of the reserve to smooth the savings targets in future years.

13 The main reasons why the General Reserve has increased are detailed below:

- Section 31 Small Business Rate Relief Grant income –£2.191m;
- Capitalisation Provision Redistribution Grant income - £0.881m;
- Interest and Investment income - £1.861m more than budgeted;
- Education Services Grant - £0.449m more than budgeted;
- Contingencies - £1.327m less than budgeted offset by;
- A transfer of £5.000m to the MTFP Redundancy and Early Retirement Reserve during the year

- 14 Appendix 4 details the movement on Earmarked Reserves during 2013/14. The position at the end of the year is as follows:

	<b>Non-Schools</b>	<b>Schools and DSG</b>	<b>Cash Limits</b>	<b>TOTAL</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Opening Earmarked Reserve Balances as at 1 April 2013	-61.925	-24.041	-19.904	-105.870
Less contribution to Earmarked Reserves	-50.036	-7.010	-3.032	-60.078
<b>Earmarked Reserve Balance as at 31 March 2014</b>	<b>-111.961</b>	<b>-31.051</b>	<b>-22.936</b>	<b>-165.948</b>

### Service Grouping Commentary

- 15 A summary of the outturn for each Service Grouping is provided below. Detailed outturn reports will be provided to the relevant Overview and Scrutiny Committees.

### Assistant Chief Executive (ACE)

- 16 The 2013/14 outturn is a cash limit underspend of £0.121m. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from the strategic reserve, yearend capital entries and a contribution of £0.353m to the MTFP Redundancy and Early Retirement Reserve to assist in meeting the cost of future redundancy payments, which was actioned in quarter 3.
- 17 The cash limit position compares to the previously forecast position of a cash limit underspend of £84k.
- 18 The underspend is a managed position, reflecting the proactive management of activity by Heads of Service across ACE throughout the year to remain within the cash limit. The main reasons for the outturn position are as follows:
- Partnerships and Community Engagement - £71k underspend primarily due to an underspend on premises costs within Community Buildings.
  - Planning and Performance - £0.334m underspend primarily due to proactive management of vacancies in anticipation of future year MTFP savings which accounts for £0.140m of the saving. There is also a £78k saving in supplies and services including a managed underspend in relation to resident surveys. The remaining £0.116m is an over recovery of income particularly around the County Records Office.
  - Policy and Communications - £70k underspend predominantly resulting from a £50k managed underspend on employees in the Civil Contingencies Unit with the remainder from a managed underspend on

supplies and services and additional income generated from advertising.

- Central Costs - £0.353m overspent as a result of making a contribution to the MTFP Redundancy and Early Retirement Reserve to assist in meeting the costs of future redundancy payments.
- Each of the 14 Area Action Partnerships (AAPs) had an area budget to contribute to local projects of £0.120m in 2013/14. Combined with revenue budget carried forward from previous years (relating to committed expenditure on agreed projects) the total revenue budget across all AAPs was £2.636m. Actual spend of £1.713m was incurred during 2013/14 leaving a balance of £0.923m. In addition contributions from Public Health, Clinical Commissioning Groups and the Welfare Assistance Fund factored in a further £1.312m of resource resulting in £2.235m committed to future projects.
- Each elected member manages a “Members Neighbourhoods Budget” of £20k for priorities in their local AAP areas made up of £10k revenue budget and £10k capital. Previous years unspent allocations totalling £0.892m are held in an earmarked reserve as all spending has been committed to specific projects. During 2013/14 £1.173m was spent, resulting in a balance of £87k being transferred to the reserve leaving a closing balance of £0.979m.
- The Members Initiative Fund outturn was £0.196m resulting in a transfer to the Members Initiative Fund Reserve of £56k.

19 Further to the quarter 3 forecast of outturn report, the following items have been excluded from the outturn in arriving at the cash limit outturn position:

- £0.482m – relates to contributions to and from earmarked reserves and cash limits to support specific projects in 2013/14 and 2014/15, including carrying forward AAP (£0.349m); Members Neighbourhood Initiative Reserve (£87k) and Members Initiative Fund Reserve (£56k) underspending in 2013/14, offset by a range of other minor contributions to and from reserves.
- £0.206m net contribution to reserves in relation to Direct Revenue Financing of Capital, ER/VR costs and Insurance recharges.
- £1.732m – relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration.

20 Taking the final outturn position into account, including items outside the cash limit, transfers to and from earmarked reserves, the cash limit reserve to be carried forward for ACE is £1.005m. There is pre-committed planned use of £0.250m of this reserve across the MTFP 4 period.

## Children and Adults Services (CAS)

- 21 The 2013/14 outturn for Children and Adults Services (CAS) is a cash limit underspend of £7.538m. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from the strategic reserve, yearend capital entries and a contribution to earmarked reserves including £6.199m to the MTFP Redundancy and Early Retirement Reserve to assist in meeting the cost of future redundancy payments, which was actioned in quarter 3 and a £4.350m contribution to the Demographics / Hyper Inflation reserve at year end that will be used across the MTFP 4 period.
- 22 The cash limit outturn position compares to the previously forecast position of a cash limit underspend of £9.358m.
- 23 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across CAS to remain within the cash limit. The main reasons accounting for the 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 Adults area of the service has created a net underspend for the year of approximately £6.0m.
  - Net spend on adult care packages was approximately £7.1m under budget, which represents circa 7% of the total adult social care budget. This area of spend is closely monitored to assess the impact of demographic and procedural/operational changes. Savings have arisen from tighter, consistent and effective application of the existing eligibility criteria, reducing the level of care packages subsequently commissioned, and the transformational change agenda, linked to the provision of social care, will further refine processes.
  - The service continually reviews its approach to MTFP savings in order to consider increasing the saving associated with consistent application of eligibility criteria. This is being 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. Inflation rate increases within the MTFP are 2.5% for 2013/14 and 1% for 2014/15. Contracts with residential and domiciliary care providers have increases of 2% in both these years. This has led to a forecast underspend in 2013/14 of £0.400m which will be needed to underwrite part of the inflationary uplift in 2014/15 which will be 1% higher than the 1% budget provision.
  - A review of one-off additional funding has identified an in-year contribution to the overall cash limit of approximately £0.400m. It is anticipated that this funding will be utilised in part to resource the work associated with the outcomes of the work linked to the ongoing transformation agenda in social care for children and adults.

- Home to School and college transport was £0.250m under budget. This represents a net saving of £0.420m linked to policy changes offset by a £0.170m in year reduction in Extended Rights to Free Travel grant.
- The Education Service was £1.303m underspent. A number of savings have been made across the School Places and Admissions Team, Special Education Needs (SEN) and Disability teams and Educational Support and Development Teams mainly relating to employee related spend through vacancies and the early achievement of MTFP savings, reduced supplies and services expenditure and additional income.
- The Early Intervention and Involvement Service was under budget by £1.200m. A number of savings have been made across the Community Safety and involvement Team, the One Point Service and Youth Offending Service mainly relating to employee related spend through vacancies and the early achievement of MTFP savings, reduced transport spend and reduced supplies and services expenditure.
- Central Costs/Other were £9.814m over budget due to a combination of the contribution to the MTFP Redundancy and Early Retirement Reserve (£6.199m) to assist in meeting the costs of future redundancy payments; a contribution to the Demographics / Hyper Inflation Reserve of £4.350m at year end to offset and delay MTFP pressures in future years; and an increase in the provision for bad and doubtful debts of £0.120m at year end; offset in the main by a review of one-off additional funding and a procurement rebate.
- Children's care was £1.404m underspent. Early achievement of 2014/15 MTFP saving targets resulted in the employee costs being under budget by £1.180m. The continued effective implementation and operation of the Looked after Children (LAC) reduction strategy has been successful in containing fostering and residential care costs within budget – this was a substantial budgetary pressure in previous years and the outturn shows expenditure in this area was £2.300m less than the previous year, where an overspend occurred. The LAC reduction strategy also led to smaller associated efficiencies particularly in connection with transportation and supplies and services costs.
- Secure Services are operated on a trading basis and therefore report a breakeven position in terms of the CAS cash limit, but it should be noted that the service has been successful in attracting additional income and achieved a contribution to the trading reserve of £0.959m at year end. Similarly, the Continuous Professional Development and Education Development Services in the Education Service returned surpluses of £0.306m and £0.284m respectively, which have also been transferred to earmarked reserves at year end.
- Public Health underspending against the Public Health Grant was £4.442m and this has been transferred to an earmarked reserve to



meet known future commitments required in transforming the service delivery model. The underspend is in part a result of demand led activity in connection with prescribing charges being at a lower level than previously anticipated.

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

- £4.950m relates to contributions to and from earmarked reserves and cash limits to support specific projects in 2013/14 and 2014/15, including £4.350m transferred to the Demographics / Hyper Inflation Reserve to offset and delay MTFP pressures in future years; £0.306m transferred to the Continuous Professional Development reserve, relating to the trading account surplus at the yearend; £0.114m transfer to the Tackling Troubled Families reserve which will fund planned commitments in 2014/15; £0.284m transfer to the Education reserve, relating to trading account surplus at the yearend across a number of service areas within the Education service; and a £0.105m adjustment to previously forecast contribution to the Aycliffe Secure Reserve;
- a number of reserves totaling £1.817m, mainly in respect of adult care projects, were planned to be used in 2013/14 but these have been carried forward at year end to reflect revised spending profiles;
- £0.378m net contribution to reserves in relation to Direct Revenue Financing of Capital, ER/VR costs and Insurance recharges.
- £0.648m – relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration.

25 Taking the outturn position into account, the cash limit reserve to be carried forward for Children and Adults Services is £12.579m. There is pre-committed planned use of this reserve of £2.066m across the MTFP 4 period.

### **Dedicated Schools Grant**

26 The Dedicated Schools Grant (DSG) allocation for 2013/14 was £349.409m, however due to schools converting to academies and reduction in high needs allocation for payments made direct by the Education Funding Agency the budget was reduced by £69.292m in year to £280.117m. This includes both the delegated schools budget and the centrally retained DSG budget.

27 The total revised delegated budget for maintained schools (including early years' providers) was £261.113m.

28 Where schools spent more than their delegated budgets, the overspend reduces their accumulated balance. Schools-related balances were £24.684m at 31 March 2014, an increase of £5.266m from the previous year.

29 This is due in part, to the balance on the equal pay provision being returned to schools amounting to £3.572m following the settlement of these claims in year. Schools will now be fully responsible for any further equal value claims

going forward. The balance (£1.695m) results from general underspending across most schools and represents an improved position to that reported at quarter 3.

- 30 Members will be aware that over the last two years schools have been operating in an environment of uncertainty with regard to the impact of the National Fair Funding Formula changes the Government are implementing from 2015/16. Schools have been prudent and have tightly managed their expenditure in recent years to build up their balances to be able to better accommodate any adverse impacts from 2015/16. Additionally, reductions in Department for Education (DfE) grant to support capital investment has resulted in schools earmarking balances for investment in planned capital improvements in their schools, effectively “saving-up” to self-finance these schemes. The Council encourages schools to have retained balances of a minimum of 2.5% of their revenue budget but also challenges schools where balances exceed this level to ensure there is a strategic plan / reason for this.
- 31 2013/14 was the first year all schools have been requested to forecast their outturn position during each quarter throughout the year. Spending in schools has been impacted by the reluctance to commit to spending due to the freeze on inflation within school budgets and until the impact of the School Funding Reforms, particularly the National Funding Formula from April 2015, becomes clearer.
- 32 The level of school balances is being closely managed; particularly those schools with a deficit balance and robust arrangements have been put in to place to monitor these in parallel with budget plans given the additional risks from schools that could potentially become a sponsored academy.
- 33 There has been greater scrutiny and challenge being put into schools budget plans to identify and address areas of concern and risk to the Council in 2013/14 and this is an ongoing process. Whilst the vast majority of schools continue to be well managed and are financially sound, termly updates have been required from all maintained schools on their projections for the year, with reports also provided to School Governors. The Council have worked constructively with schools to address any concerns and where appropriate take action to ensure the risk to the School and the Council is mitigated.
- 34 At 31 March 2014 there were 6 schools with a deficit balance carried forward totalling £0.960m, 12 schools holding a balance less than 2.5% of their overall funding and 240 schools with balances of more than 2.5% of their overall funding. This is an improved position from the 2012/13 outturn, where there were 15 schools with a deficit balance carried forward; 25 schools holding a balance less than 2.5% of their overall funding and 220 schools with balances of more than 2.5% of their overall funding.
- 35 The pressure areas for the centrally controlled element of the DSG in 2013/14 have been within the additional cost of High Needs Special Education Needs and Disabilities (SEND) children’s placements in maintained, academy and independent special schools and school redundancy costs. This has been offset by underspends within the Education Service Team dealing with SEND children, post 16 high needs provision, capitalised repair and maintenance, school improvement and early years provision.

- 36 The overall outturn position for the centrally retained element of the DSG shows an underspend of £1.744m. The earmarked reserve relating to centrally retained DSG carried forward at 31 March is £6.367m, of which £2.873 is earmarked for specific requirements (carry over commitments on SEND, post 16 high needs provision and 2 year old provision etc.), leaving a residual sum of £3.493m, of which £0.800m is required to fund long standing capital programme commitments in respect of schemes approved in 2012/13, the balance is earmarked to support spend and budget pressures in school improvement services.

### **Neighbourhood Services**

- 37 The 2013/14 outturn for Neighbourhood Services is a cash limit underspend of £0.966m. 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.
- 38 The cash limit outturn position compares to the previously forecast Quarter 3 position of a cash limit underspend of £0.844m.
- 39 The underspend is a managed position, reflecting the proactive management of activity by Heads of Service across Neighbourhoods to bring spend within the cash limit. The main reasons accounting for the outturn position are as follows:
- There was an underspend of £0.600m within Technical Services, which was mainly due to a higher than anticipated surplus being generated within the Highways Services trading account. This was a result of increased levels of workload across the year partly due to the extremely mild winter, along with an improvement in efficiency as a result of the review of workforce levels at the end of 2012/13.
  - Within Direct Services, there was an underspend of £0.400m, due to savings in the running costs of council accommodation, and an increased surplus within the Building Services trading account.
  - An overspend of £0.500m within Strategic Waste was due to higher than anticipated one off costs associated with maintaining landfill gas power generation equipment, and also a continuing fall in income from the sale of dry recyclates. The fall in income is due to prevailing market conditions and higher than anticipated levels of contamination within the recyclable material that is collected.
  - The Library Service was £0.200m underspent due to savings associated with changes in opening hours and shift patterns brought about by the early implementation of a 2014/15 MTFP saving.
  - There was also an underspend of approximately £0.300m within the Environment, Health and Consumer Protection service due to savings in employees and supplies and services. A significant proportion of

this is due to the early achievement of MTFP savings planned for 2014/15.

40 Further to the quarter 3 forecast outturn report, the following items have been excluded from the outturn in arriving at the cash limit:

- £3.840m – relates to contributions to and from earmarked reserves and cash limits to support specific projects in 2013/14 and 2014/15, including a £0.505m contribution to earmarked reserves to support one off expenditure in Culture and Sport; a £1.260m contribution to earmarked reserves in respect of Highways, Waste Disposal, and Environmental Health; a £1.725m contribution to earmarked reserves in respect of Buildings and Grounds Maintenance, and Street Cleaning; and a £0.350m contribution to earmarked reserves for Customer Services.
- An additional underspend (against the quarter 3 forecast) on Winter Maintenance activities of £0.312m. In previous years, any overspends on Winter Maintenance have been treated as outside the cash limit. The 2014/15 budget has been increased by £1.300m and an earmarked reserve is being created corporately at year end to help manage these costs within the Neighbourhood's cash limit in future years. The Winter Maintenance Reserve established at year end is £1.000m and this will be utilised in future years in severe winter events should the increased budget be insufficient to meet the unavoidable costs in this area.
- £1.755m net contribution to reserves in relation to Direct Revenue Financing of Capital, ER/VR costs and Insurance recharges.
- £9.143m relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration.

41 Taking the outturn position into account, the Cash Limit Reserve to be carried forward for Neighbourhood Services is £2.782m. There is pre-committed planned use of this reserve of £0.360m across the MTFP 4 period.

### **Regeneration and Economic Development (RED)**

42 The 2013/14 outturn for Regeneration and Economic Development is a cash limit overspend of £0.249m. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from the strategic reserve, yearend capital entries and use of / contributions to earmarked reserves including a contribution of £0.875m to the MTFP Redundancy and Early Retirement Reserve to assist in meeting the cost of future redundancy payments, which was actioned in quarter 3.

43 The cash limit outturn position compares to the previously forecast position of a cash limit overspend of £0.273m.

- 44 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across RED to bring spend within the cash limit. The main reasons accounting for the outturn position is as follows:
- £0.144m underspending in Strategy Programmes and Performance relates to savings on employee costs, including vacancies and the secondment of an employee to the Association of North East Councils, maternity savings and other general efficiency savings on supplies and services;
  - Economic Development and Housing was £39k overspent, primarily due to additional spend on tourism activities;
  - Planning and Assets returned a £0.646m underspend at year end due to a £0.863m underspend in the Planning Service and a £0.217m overspend on Asset Management. The underspend in the Planning service primarily relates to overachievement of planning fee income, employee savings from vacant posts and other efficiency savings on transport and supplies and services. The Assets Management Service experienced income pressures, mainly from Newgate Street in Bishop Auckland, the Brackenhill Centre in Peterlee and Millennium Square in Durham City where anticipated rental income is not being achieved;
  - Transport Services were £0.139m overspent, which is primarily due to the increase in contract costs to NSL Limited for enforcement of parking policies throughout County Durham, offset by savings on bus contract payments due to new contracts being negotiated in 2013/14 and the effects of a mild winter;
  - Central Costs were £0.861m overspent due to a £0.875m contribution to the MTFP Redundancy and Early Retirement Reserve, offset by a £14k underspend on central financing costs.
- 45 Further to the quarter 3 forecast outturn report, the following items have been excluded from the outturn in arriving at the cash limit:
- £0.346m – relates to net contributions from earmarked reserves and cash limits to support specific projects in 2014/15;
  - £1.646m net contribution to reserves in relation to Direct Revenue Financing of Capital, ER/VR costs and Insurance recharges.
  - £15.442m – relates to a range of adjustments associated with capital charges, centralised repairs and maintenance, central administration and concessionary fares
- 46 Taking the outturn position into account, the Cash Limit reserve to be carried forward for Regeneration and Economic Development is £3.007m. There is pre-committed planned use of this reserve of £2.019m across the MTFP 4 period.

## Resources

- 47 The 2013/14 outturn for Resources is a cash limit underspend of £0.367m. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from the strategic reserve, yearend capital entries and use of / contributions to earmarked reserves including a contribution of £2.573m to the MTFP Redundancy and Early Retirement Reserve to assist in meeting the cost of future redundancy payments, which was actioned in quarter 3.
- 48 The cash limit outturn position compares to the previously forecast position of a cash limit overspend position of £0.379m.
- 49 The underspend is a managed position, reflecting the proactive management of activity by Heads of Service across Resources to bring spend within the cash limit. The main reasons accounting for the final outturn position are as follows:
- Corporate Finance was £0.170m under budget due to £48k savings on employee costs and the balance coming from additional income arising from Service Level Agreements and VAT recovered;
  - Financial Services was £1.360m under budget as a result of the early achievement of 2014/15 MTFP savings (£0.360m), underspending on employee related budgets (vacancies) in year of £0.438m and additional income of £0.522m from court cost fee income, which is also a 2014/15 MTFP saving, plus £30k from supplies and services savings and other areas;
  - Human Resources was £0.216m underspent at year end arising from £0.272m savings in employee budgets as a result of the active management of vacant posts in advance of MTFP related restructuring in 2014/15 alongside a small overspend on running expenses of £56k;
  - ICT was £0.256m underspent largely explained by a £0.250m underspend in employee budgets as a result of the active management of vacant posts in advance of MTFP related restructuring in 2014/15;
  - Legal and Democratic Services was £0.734m under budget, explained by £0.123m savings on employee related budgets, additional income of £89k and general underspends on supplies and services of £0.522m;
  - Internal Audit and Risk returned an underspend of £0.178m as a result of £0.198m savings against employee budgets as a result of the active management of vacant posts in advance of MTFP related restructuring in 2014/15 offset by a £20k overspend on supplies and services related expenditure;
  - Service Management and Central Costs were £2.546m overspent due to a combination of the £2.573m contribution to the MTFP Redundancy and Early Retirement Reserve, offset by a £27k underspend due to additional income arising from rebate from Comensura contract.

- 50 Further to the quarter 3 forecast of outturn report, the following items have been excluded from the outturn in arriving at the cash limit outturn position:
- £0.817m – relates to contributions to and from earmarked reserves and cash limits to support specific projects in 2014/15, including a contribution to the Corporate Procurement Reserve (£0.376m), a contribution to the Elections Reserve (£0.186m) and a contribution to the ICT Trading Account Reserve (£0.321m), offset by a range of other minor contributions to and from reserves.
  - £0.104m net contribution from reserves in relation to Direct Revenue Financing of Capital, ER/VR costs and Insurance recharges.
  - £2.787m – relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration.
- 51 Taking the final outturn position into account, including items outside the cash limit, transfers to and from earmarked reserves, the cash limit reserve to be carried forward for Resources is £3.563m. There is pre-committed planned use of this reserve of £0.358m across the MTFP 4 period.

### **Resources - Centrally Allocated Costs (Corporate Costs)**

- 52 Centrally Allocated Costs were £0.176m underspent in 2013/14. The outturn has been adjusted to take into account adjustments for the use of / contributions to earmarked reserves.
- 53 The outturn position compares to the previously forecast position of an underspend of £0.136m.
- 54 The main reasons accounting for the final outturn position are as follows:
- Supplies and Services were underspent by £0.206m, primarily due to savings on audit fees, bank charges and subscriptions; offset by.
  - Under-recovery of income by £30k from the VAT sharing arrangement with North Star Housing Group.
- 55 Further to the quarter 3 forecast of outturn report, the following items have been excluded from the outturn in arriving at the cash limit outturn position:
- £0.115m – relates to a contribution from the Welfare Assistance Earmarked Reserve to support specific projects in 2013/14

### **Central Budgets**

#### **Interest Payable and Similar Charges**

- 56 The Revenue Summary at Appendix 2 shows a net £3.821m underspend at year end against this heading. This saving has been achieved 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**

- 57 There has been an overachievement of investment income of £1.861m which is due to the higher than anticipated levels of cash balances held during 2013/14. This is due in the main to lower than expected use of reserves and re-profiling of capital expenditure originally anticipated to be expended in 2013/14. In addition, a dividend of £0.279m has been received in respect of Newcastle International Airport from the Airport Company and a premium of £0.405m was received following a premature redemption of a loan.

## **Education Services Grant**

- 58 The outturn reflects net additional grant income of £0.449m which was due to the actual grant notification being higher than the amount budgeted for in 2013/14.

## **Section 31 Grant – Small Business Rate Relief**

- 59 Business properties with rateable values under £12,000 benefit from relief on their rates payable. It had been intended that the enhanced relief granted in recent years would be returned to standard rates for 2013/14. However the Government decided to extend the enhanced rates relief scheme for the whole of 2013/14. This meant that the income receivable under the new Business Rates Retention Scheme reduced and a special grant, 'Section 31 grant' has been awarded to recompense authorities for the shortfall produced as a result.
- 60 The Section 31 grant awarded against 2013/14 Business Rates bills was £8.942m. Of this, the Council will receive £2.191m and this has been accrued in the accounts for 2013/14.

## **Capitalisation Provision Redistribution Grant**

- 61 The Government proposed in the illustrative 2014/15 settlement that £100m would be held back from Revenue Support Grant for capitalisation in 2014/15. Any provision not allocated would be distributed in accordance with the authorities' share of the 2013/14 Start-Up Funding Assessment. As there was limited take up in 2013/14, the Council's share of the redistribution was £0.881m. The Council was notified of this redistribution in March 2014.

## **2013/14 Capital Outturn**

### **General Fund Capital Programme**

- 62 The original General Fund (GF) capital budget for 2013/14, taking into account the budgets approved by Council on 26 February 2013 and adjustments for re-profiling of underspends at 2012/13 year end was £163.141m. This was agreed by Cabinet on 17 July 2013.
- 63 Throughout the year, the Capital Member Officer Working Group (MOWG) has continually reviewed progress in delivering the capital programme to take into account changes in planning and delivery timescales and analysis of changes in demands on resources. Regular updates to the capital programme were reported and approved by Cabinet as part of the quarterly



budgetary control reports in year. Requests for re-profiling capital programme underspends at 31 March 2014 have also been agreed by MOWG.

- 64 The following table summarises the revised capital budgets, taking into account revisions agreed by MOWG and Cabinet throughout the year, together with the outturn position for each service area. The table also details the action that has been taken with regard to re-profiling and other budget adjustments at year end, which were approved by MOWG on 22 May 2014.

#### General Fund Capital Programme 2013/14

Service	Revised 2013/14 Budget £m	2013/14 Outturn £m	Variance £m	Additions / Deletions From Budget £m	Reprofiling £m
Assistant Chief Executives	2.244	1.158	-1.086	-0.154	-0.932
Children and Adults Services	52.382	41.241	-11.141	0.556	-11.697
Neighbourhoods	30.722	26.090	-4.632	0.720	-5.352
Regeneration and Economic Development	37.172	34.725	-2.447	0.388	-2.835
Resources	5.267	3.892	-1.375	0.150	-1.525
<b>Total</b>	<b>127.787</b>	<b>107.106</b>	<b>-20.681</b>	<b>1.660</b>	<b>-22.341</b>

- 65 In addition to underspends requested to be carried forward into 2014/15 to fund the completion of capital scheme / programmes, the variances in the table above also include some overspends on projects that span multiple financial years, which resulted from acceleration of project delivery timescales. In such instances the 2014/15 budgets have been reduced to offset the increased activity in 2013/14. All re-profiling agreed by MOWG has now been reflected in the 2014/15 revised capital budget.
- 66 The Capital Programme is financed via various funding sources including grants, capital receipts, revenue contributions, contributions from reserves and borrowing. The financing of the 2013/14 Outturn is detailed in the table below.

#### Financing – General Fund Capital Programme 2013/14

Financed by	2013/14 Outturn £m
Grants	72.243
Direct Revenue Financing	
DSG	4.336
Other	6.516
Capital Receipts	6.857
Borrowing	17.154
<b>Total</b>	<b>107.106</b>

#### Service Grouping Commentary

- 67 The primary reasons for the net capital underspending of £20.681m (circa 16% under budget at year end) are set out below:

## Assistant Chief Executive (ACE)

68 The underspend of £1.086m within ACE is mainly due to:

- **Members Budgets** – Underspend £1.260m.  
Elected members are encouraged to invest their annual allocation within each financial year. Current guidance states that uncommitted funds may be carried forward but not beyond an elected member's term of office.
- **Community Buildings** - Underspend £39k.  
Progress on the community assets transfer has been delayed due to the on-going negotiations between the Council and the relevant community groups regarding the lease agreements for the buildings.
- **Community Facilities in Crook** - Underspend £12k.  
Progress has been delayed pending the submission of business plans from the relevant community groups.
- **AAP – AAP Area Budgets** - Overspend £0.225m.  
This reflects the capitalisation of some schemes approved and fully financed from AAP Area programmes revenue funding.

## Children and Adults Services (CAS)

69 The underspend of £11.141m for CAS is mainly due to:

- **BSF Schemes** – Underspend £2.600m.  
Milestone payments for work at Consett Academy and North Durham Academy were delayed and some outstanding final accounts and asbestos claims have yet to be resolved.
- **Devolved Formula Capital** – Underspend £2.600m.  
Work has been delayed whilst individual schools finalise capital investment plans.
- **Other School Related** – Underspend £3.500m.  
Capital expenditure on Special Education Needs (SEN) has been deferred pending the outcome of the current SEN review which along with delays in starting several schemes have contributed to the underspend in this area.
- **Adult Care** – Underspend £1.300m.  
Projected expenditure associated with in-house residential care was not committed whilst the outcome of the review of the in-house residential provision was determined. The recommendations from the review were not agreed by Cabinet until 16 April 2014.
- **Early Years** – Underspend £0.700m.  
The two year programme to provide places for 2 year olds is still due for completion in 2014/15. However, the delivery of the scheme has

been rescheduled with a greater element of the work committed in 2014/15 than originally anticipated.

- **Other areas** – Underspend £0.441m.  
Delays to programmes associated with Children’s Residential Homes, performance and planning systems development.

## **Neighbourhood Services**

70 The underspend of £4.632m for Neighbourhood Services is mainly due to:

- **Direct Services** – Underspend £2.115m.  
The underspend primarily relates to a planned delay in the implementation of the Garden Waste scheme. This delayed the procurement of additional wheeled bins. There were also procurement issues which led to delays in the delivery of vehicles and plant. These issues resulted in underspend of £0.886m. Outstanding work on Bereavement and Environmental Improvement schemes which were expected to be completed in 2013/14 are now due for completion in 2014/15.
- **Culture and Sport** – Underspend £0.440m.  
The delay in notification of Heritage Lottery Fund grant connected with the restoration of Wharton Park delayed progress and contributed to the majority of the Culture and Sport underspend.
- **Projects and Business Support** – Underspend £0.481m.  
Improvements to the Waste Transfer Stations previously expected to be completed in 2013/14 are now scheduled for completion in 2014/15.
- **Technical Services** – Underspend £1.582m.  
Primarily due to several projects where works have been committed in 2013/14 but which span multiple financial years and will not be completed until 2014/15.
- **Environmental Health and Consumer Protection** – Underspend £14k.  
Development of a single integrated environmental health system was completed under budget – the residual budget is not required and has been released to capital contingencies in 2014/15.

## **Regeneration and Economic Development (RED)**

71 The underspend of £2.447m for RED is mainly due to:

- **Economic Development and Housing** – Net overspend £0.366m.  
The outturn position results from an overspend of £1.077m due to work progressing more quickly than anticipated at the Gypsy, Roma and Traveller sites in 2013/14. This is offset by an underspend of £0.215m due to delays in contract finalisation for Durhamgate, together with an underspend on Stella Gill Industrial Estate and slower than expected progress with the Housing Renewal programme (£0.253m). In addition, there have been delays in the acquisition of properties and

demolition costs associated with the Office Accommodation project (£0.109m). The residual budget for the Urban and Rural Renaissance Initiative (URRI) programme underspent by £0.134m and is to be reviewed in future years.

- **Planning and Assets** – Underspend £1.044m.  
Underspends primarily related to capitalised maintenance (£0.552m), and projects associated with Drainage works (£0.151m) and renewable technologies (£0.318m).
- **Strategy and Performance** Underspend £78k –  
This was a contingency figure, which was not required in year.
- **Transport** – Underspend £1.691m.  
Delays in completion of schemes at Pelton / Ouston Junction and Belmont Business Park Junction following a traffic flow assessment.

## Resources

72 The underspend of £1.375m for Resources relates to ICT, details as follows:

- **ICT - Underspend £1.375m**  
Procurement issues connected to the business continuity scheme has led to delays in completing this project which is now expected to be finalised in 2014/15. Installation work for the 'Dark Fibre' network has been rescheduled to 2014/15 leading to an underspend of £0.390m. The Infrastructure Environment Monitoring scheme has underspent in 2013/14 due to delays in completion and is now anticipated to be completed by September 2014.

## Housing Revenue Account (HRA) – 2013/14 Revenue and Capital Outturn

### Revenue Outturn

73 Appendix 5 provides a detailed breakdown of the outturn position for the HRA, showing the actual position compared with the original budget. In summary, it identifies a balanced outturn position on the revenue account after using a projected surplus of £0.759m towards financing the capital programme. The following table summarises the HRA outturn position:

Housing Revenue Account	2013/14 Budget	2013/14 Final Outturn	Variance
	£000	£000	£000
<b>Income</b>			
Dwelling Rents	-63,633	-63,295	338
Other Income	-1,466	-1,672	-206
Interest and Investment Income	-104	-71	33
<b>Total Income</b>	<b>-65,203</b>	<b>-65,038</b>	<b>165</b>
<b>Expenditure</b>			
ALMO Fees	16,469	16,469	0
Repairs, Supervision and Management Costs	12,220	12,910	690
Depreciation	7,850	7,821	-29
Interest Payable	12,447	10,862	-1,585
Revenue Contribution to Capital Programme	16,217	16,976	759
<b>Total Expenditure</b>	<b>65,203</b>	<b>65,038</b>	<b>-165</b>
<b>2013/14 Surplus transferred to balances</b>	<b>0</b>	<b>0</b>	<b>0</b>

74 In summary, the main variances with the budget are explained below and relate to the figures and corresponding notes shown in Appendix 5:

- a) **Dwelling Rents £0.338m reduced income** – this results from an increase in “Right to Buy” sales where there were 80 sales in the year and an increase in the number of void properties across all three housing management areas, which providers are reporting is linked, at least in part, to the Government’s Welfare Reforms;
- b) **Charges for Services and Facilities £0.178m additional income** – this results from the additional “Right to Buy” administrative income plus additional income resulting from backdating Intensive Housing Management charges;

- c) **Repairs and Maintenance £0.762m over budget** – at the yearend a review of the capital programme expenditure identified costs which needed to be aligned to revenue spend as opposed to capital, the higher spend has been offset by a corresponding reduction in the revenue contribution to the capital programme;
- d) **General Supervision and Management £0.289m over budget** – this results from the Customer Service charge for Durham City Homes being higher than the original budget and additional asset management work relating to Housing Stock Transfer;
- e) **Rents, Rates and Taxes £0.220m over budget** – this is an increase in Council Tax charges resulting from the increased numbers of void properties;
- f) **Changes in Bad Debt Provision £0.561m under budget** – this results from lower than anticipated arrears compared to forecast, due to the delay by the Government in introducing Universal Credit and the work carried out by the three providers in maintaining rent arrears at a consistent level;
- g) **Interest Payments £1.585m under budget** – this results from a lower interest rate and lower outstanding loan debt than originally anticipated, due in part to re-profiling of the capital programme in year;
- h) **Revenue Support to Capital £0.759m over budget** – the balancing item on the HRA, which identifies the potential resources available to support the capital programme and reduce our reliance on borrowing.

75 The final position on HRA general and earmarked balances as at 31 March 2014 is as follows:

- Durham City Homes Improvement Plan - £0.650m
- Welfare Reform - £0.393m
- HRA Reserve - £7.155m

### **HRA Capital Outturn**

76 The original HRA capital budget for 2013/14, taking into account the budgets approved by Council on 26 February 2013 and adjustments for re-profiling of underspends at 2012/13 year end was £55.583m. This was agreed by Cabinet on 17 July 2013.

77 As with the General Fund Capital Programme, throughout the year, the Capital Member Officer Working Group (MOWG) has continually reviewed progress in delivering the HRA capital programme, to take into account changes in planning and delivery timescales and analysis of changes in demands on resources. Regular updates to the capital programme were reported and approved by Cabinet as part of the quarterly budgetary control reports in year. The budget was reviewed throughout 2013/14 with the revised budget being £49.819m.

- 78 The following table summarises the revised capital budgets, taking into account revisions agreed by MOWG and Cabinet throughout the year, together with the outturn position for each service area. The table also details the action that has been taken with regards to re-profiling and other budget adjustments at year end, which were approved by MOWG on 22 May 2014.

#### Housing Revenue Account Capital Programme 2013/14

Service	Revised 2013/14 Budget £m	2013/14 Outturn £m	Variance £m	Additions / Deletions From Budget £m	Reprofiling £m
HRA	49.819	45.698	-4.121	-4.121	-
<b>Total</b>	<b>49.819</b>	<b>45.698</b>	<b>-4.121</b>	<b>-4.121</b>	<b>-</b>

- 79 The following table summarises the recommended financing of the HRA capital programme spend in 2013/14:

#### Financing – Housing Revenue Account Capital Programme 2013/14

Financed by	2013/14 Outturn £m
Grants	19.400
Direct Revenue Financing	16.976
Capital Receipts	1.293
Major Repairs Allowance	7.550
Borrowing	0.479
<b>Total</b>	<b>45.698</b>

- 80 The 2013/14 outturn capital expenditure was £45.698m against a revised budget of £49.819m, resulting in a £4.121m underspend for the year.
- 81 Expenditure on assets such as communal halls and garages were found to be revenue rather than capital in nature, resulting in an underspend of £1.218m.
- 82 The majority of the underspend (£1.848m) relates to the East Durham Homes programme and is due to significant savings being achieved through the introduction of a new contract in July 2013 to deliver planned Decent Homes schemes, where work is being delivered at a cheaper rate.
- 83 There was also an underspend of £0.738m on Durham City Homes schemes, which is also due to more competitive rates being obtained, resulting in planned activity being completed below budget.
- 84 The remaining £0.317m is largely attributable to underspends in mortgage rescue and new build projects.

## Collection Fund – Council Tax and Business Rates

- 85 The Collection Fund accounts for two main income streams – Council Tax and Business Rates.

### Council Tax

- 86 Council Tax is charged for all residential dwellings in bandings agreed by the Valuation Office (part of Her Majesty's Revenues and Customs). Exemptions, reliefs and discounts are awarded dependent upon the state of the property, its use and occupiers' personal circumstances.
- 87 Since its inception in 1993, the council tax system has remained largely unchanged. However, from 1 April 2013, local authorities were given the powers to amend discounts awarded to certain empty properties and apply a premium to those that had been empty for more than two years, plus remove any discounts awarded to second homes.
- 88 In December 2012 Cabinet decided to adopt these powers and therefore from 1 April 2013, no reduction is now awarded for empty properties, previously, no charge was applied for first six months empty and a 50% premium / additional charge is now applied to those properties that have been empty for two or more years. The Council also removed the 10% previously applied to second homes. These changes increased the budgeted collectable debit by c£5.5m in 2013/14.
- 89 Overall collection rates do not appear to have been adversely affected by these changes. As at 31 March 2014, the in-year overall Council tax collection rate was 95.4% which was 0.5 percentage points higher than the 2012/13 in-year performance and 1.6 percentage points above the 2011/12 in-year performance at 31 March. A major factor in this improved performance is the adjustments made to recovery cycles in 2013/14, ensuring late payers are being prompted to pay more quickly and recovery action taken against bad payers in a more timely manner.
- 90 The in-year collection rates for the last three years including the current year are shown below:

<b>Billing year</b>	<b>Position at 31 March Each Year %</b>
2013/14	95.4
2012/13	94.9
2011/12	93.8

- 91 The current overall collection rate for 2012/13 council tax liabilities is now 95.85% and for 2011/12 council tax liabilities is now 97.30%. The Council continues to recover Council Tax from earlier years and, in the long run, recovers at least 98.5%, upon which the tax base calculation is based.
- 92 The income shown in the Council Tax Collection Fund is the amount collectable from Council Tax payers in the long run, rather than the actual



cash collected in the year the charges are raised. Likely bad debts are accounted for by maintaining a bad debt provision. The amount estimated to be collectable is estimated each year by reference to the actual council taxbase for all domestic properties in the county (schedule of all properties, discounts and reliefs) with an allowance for non-collection, currently 1.5%.

- 93 Due to changes in the number of properties (including new build and demolitions), eligibility of discounts and reliefs during the year, the actual amount collectable increases or decreases from the estimate on a dynamic day to day basis. In addition, adjustments for previous billing years take place during each accounting year. All of these adjustments mean that the actual amounts collected will always differ from the estimate. Such differences at the end of each accounting year, after taking into account the calculated change required in the 'bad debt' provision, determines whether a surplus or deficit has arisen, which is then shared between the major preceptors, Durham County Council, Durham Police Authority and County Durham and Darlington Fire and Rescue Authority based on the relative proportions of the Band D council tax at the beginning of the financial year.
- 94 At 31 March 2014, the Outturn for the Council Tax Collection Fund was a surplus of £2k, arrived at as shown in the following table.

	<b>£'000</b>
Net Bills issued during Accounting Year 2013/14	263,499
LCTRS and previous year CTB adjustments	-52,421
Calculated change in provision for bad debts required	-4,974
Net income receivable (a)	206,104
Precepts and Demands	
Durham County Council (including Parish/Town Councils)	174,452
Durham Police Authority	20,060
County Durham and Darlington Fire and Rescue Authority	11,596
Total Precepts and Demands (b)	206,108
Net Surplus / (-) Deficit for year (a) – (b)	-4
Surplus Brought Forward from 2012/13	6
<b>Surplus at 31 March 2014</b>	<b>2</b>

- 95 At 15 January in each year, the estimated surplus/deficit on the Collection Fund Council Tax Account is notified to the major preceptors for inclusion in the budget setting process for the following year as an additional income or expenditure item. At 15 January 2014 an estimated break-even position on the Council Tax Collection Fund for 2013/14 was declared. The actual surplus of £2k was in line with that estimate and this will be carried forward to

15 January 2015 and will be taken into account in estimating the surplus/deficit for 2014/15, which will need to be taken into account for 2015/16 budget setting.

## Business Rates

- 96 Business rates have been levied on all non-domestic properties since 1990. In all previous years, the Council acted simply as a tax collector for Central Government, with all amounts receivable, debtor and creditor balances and provisions owing to or from Central Government. The Council remained largely unaffected by changes in business rate yield or liabilities in each year.
- 97 2013/14 was the first year of the new Business Rates Retention Scheme whereby the Council now has a real vested budget interest and stake in the level of business rate yield as income generated from Business Rates is now shared between Central Government (50%), Durham County Council (49%) and County Durham and Darlington Fire and Rescue Authority (1%). For the first time, therefore, it is not only the accuracy and timeliness of bills levied and collected that is monitored and audited, but the level of income anticipated for the year is of utmost importance and new monitoring procedures have been devised for this purpose.
- 98 Bills raised, exemptions and reliefs awarded are examined together with local knowledge of anticipated changes in reliefs such as Mandatory Charitable relief and Discretionary Rate Relief on a monthly basis to enable a comparison with the January 2013 estimate that was used for budget setting purposes. At 31 March 2014, the Outturn for the Collection Fund Business Rates was a deficit of £3.275m, arrived at as shown in the following table.

	£000
Net rate yield for 2013/14 including previous year adjustments	112,365
Estimate of changes due to appeals lodged and future appeals	-5,192
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-1,769
Net income receivable (a)	105,404
Agreed allocated shares	
Central Government (50%)	54,037
Durham County Council (49%)	52,957
County Durham and Darlington Fire and Rescue Authority (1%)	1,081
Cost of Collection Allowance (paid to Durham County Council)	604
Total fixed payments (b)	108,679
Net Deficit for year (a) - (b)	-3,275
<b>Deficit at 31 March 2014</b>	<b>-3,275</b>

99 The deficit shown above is made up of £3.282m to be shared between Durham County Council, Central Government and County Durham and Darlington Fire and Rescue and a surplus of £7k payable only to Durham County Council in respect of Business Rates from Renewable Energy projects. This compares with the deficit estimated in the March 2014 Quarter 3 Forecast of Outturn report to Cabinet of £3.247m. (Nil Renewable Energy surplus or deficit forecast at that time).

100 The Quarter 3 estimate was notified to Central Government and County Durham and Darlington Fire and Rescue Authority as part of the statutory 2014/15 NNDR1 return to Central Government, whereby the estimated income from Business Rates for the following year is calculated. Any surplus or deficit for 2014/15 notified on the NNDR1 becomes part of the payment to be made during the following financial year and then forms part of the Council's budget projections. The shares relating to the January 2014 estimate have been fully accounted for in budget setting for 2014/15, and the difference carried forward to January 2015 is shown in the following table:

<b>Authority</b>	<b>Share of Business Rates</b>	<b>Share of deficit declared January 2014</b>	<b>Share of deficit at 31 March 2014</b>	<b>Deficit carried forward to January 2015</b>
		£000	£000	£000
Durham County Council	49%	1,591	1,608	17
Central Government	50%	1,624	1,641	17
County Durham and Darlington Fire and Rescue Authority	1%	32	33	1

101 The Business Rates Retention Scheme has not changed the actual business rates charged to ratepayers and therefore was not expected to have a detrimental effect on collection rates. At 31 March 2014, the in-year collection rate for 2013/14 charges was 96.4% which was 1.2 percentage points above the same point in 2012/13 and 1.7 percentage points above the in-year figure for 2011/12.

102 The in-year collection rates for the last three years, including the current year, are shown below:

<b>Billing year</b>	<b>31 March %</b>
2013/14	96.4
2012/13	95.2
2011/12	94.7

## **Section 31 Grant- Small Business Rate Relief**

- 103 Business properties with rateable values under £12,000 benefit from relief on the rates payable. It had been intended that the enhanced relief granted in recent years would be returned to standard rates for 2013/14. However, Government decided to extend the enhanced rates relief scheme for the whole of 2013/14. This meant that the income receivable under the new Business Rates Retention Scheme would be reduced and a special grant has been awarded to recompense authorities for the shortfall produced as a result.
- 104 Properties with rateable values up to £6,000 are currently being granted full relief instead of 50% relief under the previous scheme, and properties with rateable values between £6,000 and £12,000 have a tapered relief applied to them ranging from 100% down to 0%, but in all cases double the standard relief.
- 105 The grant has been calculated as 50% of the extended small business rate relief given. Under rules governing the share of Business Rates income, the Local Share of the grant is therefore calculated as 25% of the total relief granted, with 98% of that figure accruing to Durham County Council and 2% to County Durham and Darlington Fire and Rescue Authority.
- 106 The gross Small Business Relief awarded against 2013/14 Business Rates bills was £8.942m. Of this, Durham County Council will receive £2.191m and this has been accrued in the accounts for 2013/14.
- 107 Central Government has only agreed to repay by Section 31 grant the additional Small Business Rate Relief in respect of 2013/14 business rates bills. However, there have been adjustments made in respect of previous years' bills that also included the doubling of Small Business Rate Relief. The Council has raised this matter with the Department for Communities and Local Government (CLG), the response to which was that it was being considered but no date was given for the decision. If agreed, a further £80k would be payable in Section 31 grant, though for prudence purposes this has not been accrued in our accounts for 2013/14.

## **Deferred Rates**

- 108 During 2012/13, businesses could choose to spread the retail price index increase (3.2%) of their bill over three years. The bills were issued for the whole amount due but part of the bill was not collectable during the billing year.
- 109 Billing Authorities were compensated in 2012/13 by a reduction in the cash payable to Central Government of the whole amount of the rates so deferred. This was done by an adjustment of the audited statutory outturn return for business rate income – the NNDR3. Normally, this would have been repayable in 2013/14 and 2014/15 with the deferred rates being added back into the amount payable to Central Government.
- 110 In December 2013, CIPFA notified Authorities that Central Government was not looking to recover the deferred rates and that Authorities would be able to

retain this. However, it now appears that Central Government has changed its position but has not clarified if it expects to recover all of this or allocate it in the same shares as Business Rates income. If they choose to allocate the deferred rates balance to Authorities in the same shares as Business Rates income then Durham County Council would retain £0.219m. In line with guidelines issued by CLG, the balance has been carried forward into 2014/15 as a Central Government creditor and will be dealt with in that year when confirmation is received.

### Provision for Appeals

- 111 Ratepayers have the right to appeal against the rateable value of their properties which are assessed by the Valuation Office Agency, part of HM Revenues and Customs. If successful, the appeal may result in a reduction being applied to all bills issued from 1 April 2010 for that property. Appeals can continue to be lodged against bills dating back to 1 April 2010 at any time up to 31 March 2017. The level of appeals being lodged and the time taken to settle them can have a detrimental and unpredictable effect on the income for any one year. In order to try to manage this, we make a provision in our Business Rates Collection Fund for the repayment of rates already billed due to potential successful appeal outcomes.
- 112 At 31 March 2014, the provision for appeals, based on the Valuation Office appeals list for the same date, and prudent assumptions of anticipated outcomes, including potential appeals coming forward that are not known at 31 March 2014, was assessed at £5.192m. This is made up as shown in the following table:

<b>Reason for provision</b>	<b>£000</b>
Residual outstanding appeals from 2005 rating list	56
Estimated settlement reduction on outstanding appeals lodged on 2010 list	3,090
Estimated settlement reduction on appeals to be received up to end of 2010 rating list appeal period, relating to bills raised to 31 March 2014	2,004
Estimated reduction on properties close to large scale out of town development (tone of the list changes)	42
<b>TOTAL</b>	<b>5,192</b>

### Recommendations and Reasons

- 113 It is recommended that Cabinet note:
- (i) the addition to the Cash Limit Reserves of £3.032m 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 £28.132m.

- (iii) the closing balance on Earmarked Reserves (excluding Cash Limit Reserves) is £143.013m of which £31.051m relate to school and DSG balances.
- (iv) the closing HRA balance of £7.155m.
- (v) the closing balance on HRA Earmarked Reserves of £1.043m.
- (vi) the position for the Collection Funds in respect of council tax and business rates.

114 It is recommended that Cabinet approve

- (vii) that capital budget carried forward of £22.341m for the General Fund is moved into 2014/15 and that Service Groupings regularly review capital profiles throughout 2014/15 reporting revisions to MOWG and Cabinet as necessary.

### **Background Papers**

- (a) Cabinet – 11 September 2013 – Forecast of Revenue and Capital Outturn 2013/14 for General Fund and Housing Revenue Account – Period to 30 June 2013 and Medium Term Financial Plan 4 Update
- (b) Cabinet – 20 November 2013 - Forecast of Revenue and Capital Outturn 2013/14 for General Fund and Housing Revenue Account – Period to 30 September 2013
- (c) Cabinet – 19 March 2014 - Forecast of Revenue and Capital Outturn 2013/14 for General Fund and Housing Revenue Account – Period to 31 December 2013

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## **Appendix 1: Implications**

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### **Finance**

The report details the financial outturn for the Council for 2013/14 for Revenue and Capital. The report covers General Fund and Housing Revenue Account for both Revenue and Capital and the outturn position for General and Earmarked Reserves at 31 March 2014, plus the Collection Fund outturn, covering both Council Tax and Business Rates.

### **Staffing**

None.

### **Risk**

The figures contained within this report have been extracted from the General Ledger, and have been scrutinised and supplemented with information supplied by Budget Managers and Service Management Teams. The outturn has been produced taking into consideration all spend in year and year end accounting requirements and standard / recommended accounting practices. This should mitigate any risks with regards to challenge over the accuracy and validity of the financial outturn position of the Council as reported.

### **Equality and Diversity / Public Sector Equality Duty**

None.

### **Accommodation**

None.

### **Crime and Disorder**

None.

### **Human Rights**

None.

### **Consultation**

Budget Managers and Service Management Teams have been consulted on and contributed to the contents of the report and the accounting entries contained within.

### **Procurement**

None.

### **Disability Issues**

None.

### **Legal Implications**

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

## Appendix 2: General Fund Revenue Summary 2013/14

	Cash Limit Adjustments								
	Original Budget 2013/14	Revised Budget	Service Groupings Final Outturn Position	Variance	Sums outside the cash limit	Cash Limit Reserve	Contribution to / Use of Earmarked Reserves	Cash Limit Position	Forecasted Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assistant Chief Executive	11,178	10,220	11,143	923	-1,733	-72	761	-121	121
Children and Adults Services	291,815	272,521	245,843	-26,678	2,847	0	16,293	-7,538	7,538
Neighbourhood Services	108,776	111,742	96,038	-15,704	9,143	0	5,595	-966	966
Regeneration and Economic Development	41,801	41,354	55,743	14,389	-15,442	0	1,301	248	-248
Resources	22,246	18,024	14,156	-3,868	2,787	0	714	-367	367
<b>Cash Limit Position</b>	<b>475,816</b>	<b>453,861</b>	<b>422,923</b>	<b>-30,938</b>	<b>-2,398</b>	<b>-72</b>	<b>24,664</b>	<b>-8,744</b>	<b>8,744</b>
Contingencies	7,852	5,827	0	-5,827			4,500	-1,327	1,327
Centrally Held Budgets	0	0	-15,526	-15,526	15,883	0	0	357	-357
Corporate Costs	80	1,670	1,609	-61	0	0	-115	-176	176
<b>NET COST OF SERVICES</b>	<b>483,748</b>	<b>461,358</b>	<b>409,006</b>	<b>-52,352</b>	<b>13,485</b>	<b>-72</b>	<b>29,049</b>	<b>-9,890</b>	<b>9,890</b>
Capital charges	-51,723	-50,473	-81,220	-30,747	-9,552			-40,299	40,299
Gain/Loss on disposal of fixed assets	0	0	40,299	40,299				40,299	-40,299
Interest and Investment income	-1,441	-1,441	-3,302	-1,861				-1,861	1,861
Interest payable and similar charges	35,148	34,796	30,975	-3,821			3,750	-71	71
HR Accrual - reversal	0	0	1,781	1,781	-1,781			0	0
<b>Net Expenditure</b>	<b>465,732</b>	<b>444,240</b>	<b>397,539</b>	<b>-46,701</b>	<b>2,152</b>	<b>-72</b>	<b>32,799</b>	<b>-11,822</b>	<b>11,822</b>
<b>Funded By:</b>									
Council tax	-164,469	-164,469	-164,469	0				0	0
Council tax freeze grant	-2,033	-2,033	-2,029	4				4	-4
Use of earmarked reserves	-4,399	24,250	57,046	32,796				32,796	-32,796
Estimated net surplus on Collection Fund	0	0	0	0				0	0
Start up Funding Assessment	-278,370	-278,370	-278,342	28				28	-28
Capitalisation Provision Redistribution Grant	0	0	-881	-881				-881	881
New Homes Bonus	-4,799	-4,799	-4,799	0				0	0
New Homes Bonus - Re-imburement	-943	-943	-943	0				0	0
Section 31 Grant - Small business rate relief	0	0	-2,191	-2,191				-2,191	2,191
Education Services Grant	-7,200	-7,236	-7,685	-449				-449	449
Forecast contribution to Cash Limit Reserve	-3,519	-5,640	3,032	8,672				8,672	-8,672
Forecast contribution to General Reserves	0	-5,000	3,722	8,722				8,722	-8,722
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-0</b>	<b>2,152</b>	<b>-72</b>	<b>32,799</b>	<b>34,879</b>	<b>-34,879</b>



### Appendix 3: General Fund Revenue Summary by Expenditure / Income for 2013/14

	Original Budget 2013/14	Revised Budget	Service Groupings Final Outturn	Corporate Costs	Variance	Cash limit Adjustments			Cash Limit Position	Cash Limit Carry Forward (including Corporate Costs)	Variance - Corporate Costs
						Sums Outside the Cash Limit	Cash Limit Reserve	Contribution to / Use of Earmarked Reserves			
						£'000	£'000	£'000			
<b>Employees</b>	474,690	516,784	508,478	0	-8,306	1,619	0	-311	-6,998	6,998	0
<b>Premises</b>	49,324	52,423	54,286	0	1,863	-3,557	0	395	-1,299	1,299	0
<b>Transport</b>	50,097	50,448	46,459	0	-3,989	454	0	398	-3,137	3,137	0
<b>Supplies and Services</b>	113,512	127,120	149,446	1,633	23,959	456	0	3,437	27,852	-27,852	-192
<b>Agency and Contracted</b>	269,897	259,189	258,614	3,134	2,559	671	0	2,577	5,807	-5,807	-13
<b>Transfer Payments</b>	210,685	213,183	208,047	0	-5,136	0	0	4,705	-431	431	0
<b>Central Costs</b>	101,309	98,155	75,647	0	-22,508	6,672	-72	9,188	-6,720	6,720	0
<b>Other</b>	1,265	2,018	12,160	0	10,142	27	0	4,245	14,414	-14,414	0
<b>DRF</b>	0	100	10,852	0	10,752	0	0	2,758	13,510	-13,510	0
<b>Capital Charges</b>	51,723	50,473	40,921	0	-9,552	9,552	0	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>1,322,502</b>	<b>1,369,893</b>	<b>1,364,910</b>	<b>4,767</b>	<b>-216</b>	<b>15,894</b>	<b>-72</b>	<b>27,392</b>	<b>42,998</b>	<b>-42,998</b>	<b>-205</b>
<b>Income</b>											
- Specific Grants	528,182	571,825	562,710	3,037	-6,078	0	0	4,501	-1,577	1,577	0
- Other Grants and contribs	25,320	30,956	35,191	0	4,235	853	0	-565	4,523	-4,523	0
- Sales	6,720	5,147	10,198	0	5,051	-368	0	0	4,683	-4,683	0
- Fees and charges	108,122	106,686	112,832	0	6,146	0	0	-288	5,858	-5,858	0
- Recharges	169,661	187,788	211,397	0	23,609	1,924	0	-219	25,314	-25,314	0
- Rents	5,176	5,457	5,675	0	218	0	0	0	218	-218	0
- Other	3,426	6,505	13,561	121	7,177	0	0	-586	6,591	-6,591	29
<b>Total Income</b>	<b>846,607</b>	<b>914,364</b>	<b>951,564</b>	<b>3,158</b>	<b>40,358</b>	<b>2,409</b>	<b>0</b>	<b>2,843</b>	<b>45,610</b>	<b>-45,610</b>	<b>29</b>
<b>NET EXPENDITURE</b>	<b>475,895</b>	<b>455,529</b>	<b>413,346</b>	<b>1,609</b>	<b>-40,574</b>	<b>13,485</b>	<b>-72</b>	<b>24,549</b>	<b>-2,612</b>	<b>2,612</b>	<b>-176</b>

## Appendix 4: General Fund Earmarked Reserves as at 31 March 2014

EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	2012/13 CLOSING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	2013/14 CLOSING BALANCE
		£,000	£,000	£,000	£,000	£,000	£,000
ACE AAP/Members Reserve	ACE	-1,854	0	-1,422	0	-1,422	-3,276
ACE Grant Reserve	ACE	-233	8	-5	0	3	-230
ACE Operational Reserve	ACE	-140	8	0	0	8	-132
ACE Public Health Reserve	ACE	0	0	0	0	0	0
ACE Clinical Commissioning Group Reserve	ACE	0	0	0	0	0	0
Social Care Reserve	CAS	-4,053	1,201	-5,662	0	-4,461	-8,514
Health and Wellbeing Reserve	CAS	-500	500	0	0	500	0
Community Safety Reserve	CAS	-22	16	0	0	16	-6
Aycliffe Young People's Centre Reserve	CAS	-428	0	-959	0	-959	-1,387
Continuing Professional Development Reserve	CAS	-469	0	-524	0	-524	-993
Education Reserve	CAS	-383	0	-204	-400	-604	-987
Tackling Troubled Families	CAS	-942	0	-615	0	-615	-1,557
Special Projects Reserve	CAS	-60	0	0	0	0	-60
Public Health Reserve	CAS	0	0	-4,442	0	-4,442	-4,442
Neighbourhoods AAP Reserve	NS	-66	14	0	14	28	-38
Customer Services Reserve	NS	-110	73	-350	0	-277	-387
Direct Services Reserve	NS	-2,594	736	-1,817	0	-1,081	-3,675
Env. Health and Consumer Protection Reserve	NS	-430	93	-179	0	-86	-516
Culture and Sport Reserve	NS	-2,291	1,024	-695	0	329	-1,962
Strategic Waste Reserve	NS	-376	150	-199	0	-49	-425
Technical Services Reserve	NS	-445	320	-1,619	125	-1,174	-1,619
Transport Asset Management Programme Reserve	NS	-318	0	0	0	0	-318
Economic Development Reserve	RED	-1,018	163	-546	0	-383	-1,401
Planning Reserve	RED	-1,688	0	-25	540	515	-1,173
North Pennines AONB Partnership Reserve	RED	-919	282	0	0	282	-637
Employability and Training Reserve	RED	-846	157	-79	124	202	-644
RED Regeneration Reserve	RED	-1,051	87	0	-664	-577	-1,628
Housing Regeneration Reserve	RED	-77	16	0	0	16	-61
Housing Solutions Reserve	RED	-987	72	-164	0	-92	-1,079
Restructure Reserve	RED	-729	0	0	0	0	-729
LSVT Reserve	RED	-111	11	0	0	11	-100
Transport Reserve	RED	-364	35	0	0	35	-329
Funding and Programmes Management Reserve	RED	-175	44	0	0	44	-131
Resources Corporate Reserve	Resources	-1,843	0	-376	0	-376	-2,219
Resources DWP Grant Reserve	Resources	-107	1	-822	0	-821	-928
Resources System Development Reserve	Resources	-850	309	-750	0	-441	-1,291
Resources Housing Benefit Subsidy Reserve	Resources	-2,579	381	0	0	381	-2,198
Local Council Tax Support Scheme Reserve	Resources	0	0	-1,031	0	-1,031	-1,031
Resources Land Search Fees Reserve	Resources	-1,000	0	0	0	0	-1,000
Resources Legal Expenses	Resources	-200	0	0	0	0	-200
Resources Elections Reserve	Resources	-800	464	-700	0	-236	-1,036
Resources ICT Reserves	Resources	-480	0	-250	0	-250	-730
Cabinet Reserve	Corporate Fin	-220	0	0	0	0	-220
Corporate Reserve - Demographic Pressures	Corporate Fin	-8,650	2,150	-4,350	0	-2,200	-10,850
Equal Pay Reserve	Corporate Fin	-7,111	1,232	-11,526	0	-10,294	-17,405
Insurance Reserve	Corporate Fin	-7,832	172	-5,397	0	-5,225	-13,057
Performance Reward Grant Reserve	Corporate Fin	-1,735	427	0	0	427	-1,308
MTFP Redundancy and Early Retirement Reserve	Corporate Fin	-4,839	3,583	-15,000	0	-11,417	-16,256
Office Accommodation Reserve	Corporate Fin	0	0	-1,000	0	-1,000	-1,000
Capital Expenditure Reserve	Corporate Fin	0	0	-2,658	-139	-2,797	-2,797
<b>Total Non-Schools Reserve</b>		<b>-61,925</b>	<b>13,729</b>	<b>-63,366</b>	<b>-400</b>	<b>-50,037</b>	<b>-111,962</b>
<b>Cash Limit Reserves</b>							
Assistant Chief Executive		-1,165	281	-121	0	160	-1,005
Children and Adults Services		-9,732	4,291	-7,538	400	-2,847	-12,579
Neighbourhood Services		-2,311	495	-966	0	-471	-2,782
Regeneration and Economic Development		-3,416	409	0	0	409	-3,007
Resources		-3,280	84	-367	0	-283	-3,563
<b>Total Cash Limit Reserves</b>		<b>-19,904</b>	<b>5,560</b>	<b>-8,992</b>	<b>400</b>	<b>-3,032</b>	<b>-22,936</b>
<b>Schools' Balances</b>							
Schools' Revenue Balance	CAS	-19,418	0	-5,266	0	-5,266	-24,684
DSG Reserve	CAS	-4,623	0	-1,744	0	-1,744	-6,367
<b>Total Schools and DSG Reserve</b>		<b>-24,041</b>	<b>0</b>	<b>-7,010</b>	<b>0</b>	<b>-7,010</b>	<b>-31,051</b>
<b>Total Earmarked Reserves</b>		<b>-105,870</b>	<b>19,289</b>	<b>-79,368</b>	<b>0</b>	<b>-60,079</b>	<b>-165,949</b>

## Appendix 5: Housing Revenue Account 2013/14 Outturn Position

	Annual Budget	Final Outturn	Forecasted Variance	
	£000	£000	£000	
<b>Income</b>				
Dwelling Rents	-63,633	-63,295	338	a)
Non Dwelling Rents	-1,075	-1,103	-28	
Charges for Services and Facilities	-391	-569	-178	b)
<b>Total Income</b>	<b>-65,099</b>	<b>-64,967</b>	<b>132</b>	
<b>Expenditure</b>				
ALMO Management Fee and Outsourced Contract	16,469	16,469	0	
Repairs and Maintenance	4,433	5,195	762	c)
Supervision and Management - General	4,417	4,706	289	d)
Supervision and Management - Special	411	408	-3	
Rents, Rates, Taxes and other Charges	310	530	220	e)
Depreciation and Impairment of fixed assets	7,850	7,821	-29	
Increase/Decrease in bad debt provision	968	407	-561	f)
Debt Management Costs	194	194	0	
<b>Total Expenditure</b>	<b>35,052</b>	<b>35,730</b>	<b>678</b>	
<b>Net cost of HRA services per Authority I&amp;E Account</b>	<b>-30,047</b>	<b>-29,237</b>	<b>810</b>	
HRA services share of Corporate and Democratic Core	1,085	1,085	0	
Net Cost of services but not allocated to specific services	402	385	-17	
<b>Net cost of HRA Services</b>	<b>-28,560</b>	<b>-27,767</b>	<b>793</b>	
Interest Payable and Similar Charges	12,447	10,862	-1,585	g)
Direct Revenue Financing [Balancing Item on HRA]	16,217	16,976	759	h)
Interest and Investment Income	-104	-71	33	
<b>[Surplus] / Deficit for the year on HRA services</b>	<b>0</b>	<b>0</b>	<b>0</b>	