

## Cabinet

15 July 2015

### 2014/15 Final Outturn for General Fund, Housing Revenue Account and Collection Fund



---

#### Report of Corporate Management Team

Don McLure, Corporate Director Resources

Councillor Alan Napier, Cabinet Portfolio Holder for Finance

---

#### 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 2014/15, plus the 2014/15 outturn for the Collection Fund in respect of Council Tax collection and Business Rates collection.

#### Background

- 2 The Council has faced unprecedented reductions in Government grants since the 2010 Comprehensive Spending Review (CSR) when the expectation for local government was a 28% cut in Government grant for the period 2011/12 to 2014/15. Since that time the majority of the Chancellor of the Exchequer's March Budget and Autumn Statement announcements have included additional cuts to local government funding culminating in the 2015/16 Spending Round announcement of June 2013 which detailed a further 10% funding reduction for local government in 2015/16. By February 2014, when the Council set its budget for 2014/15 it was forecast that Government grant to local government would have reduced by over 40% by the end of 2015/16.
- 3 The Chancellor of the Exchequer also announced the need for a further £30bn of public expenditure reductions for 2016/17 and 2017/18. With £12bn expected to be found from Welfare budgets, £13bn will need to be found from Government Departments and £5bn from addressing tax avoidance. It was expected that Health, Education and Overseas Aid budgets would continue to be protected resulting in increased pressure upon the remaining unprotected Government Departments. It was therefore forecast that the Government grant reductions for local government in 2016/17 and 2017/18 will be similar in magnitude to those of 2014/15 and 2015/16.
- 4 Overall it was forecast that the Council would need to save £224m over the 2011 to 2017 period. A sum of £113.9m of savings having been realised by the end of 2013/14 resulting in a £110.1m savings requirement for the three year MTFP (4) period 2014/15 to 2016/17.

- 5 The Council agreed a net revenue budget of £438.765m for 2014/15. Factoring in cuts in Government grant, inflation and other budget pressures required the delivery of £23m of savings in 2014/15 in order to deliver a balanced budget.
- 6 Quarterly forecast outturn reports have been considered by Cabinet throughout the 2014/15 financial year and detailed reports on individual service groupings have also been considered by the various Overview and Scrutiny Committees.
- 7 This final outturn for 2014/15 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**

- 8 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**

- 9 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. technical accounting entries such as Capital Charges and Central Administration Recharges actioned at year end.
- 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. Bridge inspections, Waste Disposal inflation and redundancy and early access costs linked to restructuring activity to achieve 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.

- 10 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 2014/15.
- 11 The 2014/15 cash limit position for each Service Grouping is detailed in the table below:

Type of Reserve	Opening Balance as at 1 April 2014	Budgetted use at 1 April 2014	Movement during 2014/15		Closing Balance as at 31 March 2015
			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	-1.005	0.250	0.216	-0.234	-0.773
Children and Adults Services	-12.029	1.879	1.580	-0.873	-9.443
Neighbourhoods	-2.782	0.130	0.560	-2.984	-5.076
Regeneration and Econ Development	-3.007	0.000	1.186	-1.395	-3.216
Resources	-3.563	0.358	1.318	-1.970	-3.857
<b>TOTAL CASH LIMIT RESERVE</b>	<b>-22.386</b>	<b>2.617</b>	<b>4.860</b>	<b>-7.456</b>	<b>-22.365</b>

## Revenue Outturn

- 12 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		1,388.792
Less:		
Gross Income		-999.789
<b>Net Expenditure</b>		<b>389.003</b>
Financed by:		
Council Tax	168.845	
Start Up Funding Assessment	250.444	
New Homes Bonus	6.783	
New Homes Bonus – re-imburement	0.381	
Section 31 Grant – Small Business Rate Relief	2.397	
Section 31 Grant – Settlement Funding Assessment Adjustment	0.777	
Section 31 Grant – Retail Adjustment	1.211	
Education Services Grant	7.531	
Net use of Cash Limit Reserves	0.021	
Net Contribution to Earmarked Reserves:		
Schools and DSG	-3.558	
Non-Schools	-45.059	
Net Contribution to the General Reserve	-0.770	
<b>Total Financing</b>		<b>389.003</b>

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

	£m
Opening Balance as at 1 April 2014	-28.134
Add:	
Net Contribution to the General Reserve in 2014/15	-0.770
<b>Closing General Reserve Balance as at 31 March 2015</b>	<b>-28.904</b>

- 14 The General Reserve balance carried forward of £28.904m is within the Council's General Reserves policy of retaining between 5% and 7.5% of the Net Budget Requirement, which in cash terms is between £20.5m and £31m. The £28.904m balance at 31 March 2015 equates to 7.1% of 2015/16 Net Budget Requirement. The main reasons why the General Reserve has increased are detailed below:

- Interest and Investment income - £0.437m more than budgeted;
- Interest payable and similar charges - £4.536m less than budgeted;

- Education Services Grant - £0.294m more than budgeted;
- Contingencies - £6.598m less than budgeted offset by;
- Section 31 Grant income – £0.716m less than budgeted;
- A budgeted use of General Reserve of £0.933m; and
- A transfer of £9.500m to the Planned Delivery Programme Grant during the year

15 Appendix 4 details the movement on Earmarked Reserves during 2014/15. 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 2014	-112.512	-31.051	-22.386	-165.949
Less contribution to (-) / from (+) Earmarked Reserves	-45.059	-3.558	+0.021	-48.596
<b>Earmarked Reserve Balance as at 31 March 2015</b>	<b>-157.571</b>	<b>-34.609</b>	<b>-22.365</b>	<b>-214.545</b>

### Service Grouping Commentary

16 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)

17 The 2014/15 outturn for the Assistant Chief Executive's Service is a cash limit underspend of £0.234m. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of / contributions to earmarked reserves.

18 The cash limit position compares to the previously forecast position at quarter 3 of a cash limit underspend of £0.130m.

19 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 outturn position is accounted for as follows:

- Partnerships and Community Engagement - £45k overspend, primarily due to a managed overspend position on employee related costs.

- Planning and Performance - £0.810m underspend, primarily due to proactive management of supplies and services budgets including a managed underspend in relation to resident surveys.
  - Policy and Communications - £0.198m underspend, predominantly resulting from a £98k managed underspend on employee related costs across the service together with an £89k underspend on supplies and services budget through tight control of expenditure in this area.
  - The remaining underspend is from additional income generated from advertising.
- 20 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:
- £0.414m – relates to contributions to and from earmarked reserves and cash limits to support specific projects in 2015/16.
  - £1.586m – relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration.
- 21 Taking the 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 £0.773m.

### **Children and Adults Services (CAS)**

- 22 The 2014/15 outturn for Children and Adults Services (CAS) is a cash limit underspend of £0.873m. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital entries and contributions to and from earmarked reserves, including a £15.150m contribution to the Demographics / Hyper Inflationary Pressures Reserve which will be used across the MTFP 5 period.
- 23 The cash limit outturn position compares to the previously reported forecast balanced position at year end.
- 24 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 £5.4m.
  - Net spend on adult care packages was approximately £4.8m under budget, which represents circa 5% of the total adult social care budget. This area of spend continues to be 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.

- A review of one-off additional funding has identified an in-year contribution to the overall cash limit of approximately £1.750m. 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.
- The Education Service was £0.945m under budget in the year. 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.
- Children's Services was under budget by £3.247m, primarily as a result of employee costs realised from proactive management of vacancies and early achievement of future years MTFP savings across Children's Care, One Point, Family Pathfinder and the Youth Offending Services. This was further augmented by reduced premises spend, supplies and services expenditure and achievement of additional income in year. 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 on placement costs was £0.800m less than the previous year and £3.1m less than in 2012/13.
- Central Costs/Other were £14.990m over budget due in the main to a contribution to the Demographics / Hyper Inflationary Pressures Reserve of £15.150m during the year to offset and delay MTFP pressures in future years. There was also an increase in the provision for bad and doubtful debts of £0.164m at year end; offset in the main by additional income and a procurement rebate.
- Secure Services are operated on a trading basis and therefore report a breakeven position in terms of the CAS cash limit. The service incurred additional one off expenditure in 2014/15 of £0.185m that was funded from the trading reserve at year end. Similarly, the Continuous Professional Development and Education Development Services in the Education Service returned surpluses of £42k and £0.203m respectively, which have also been transferred to earmarked reserves at year end.
- Public Health spending against the Public Health Grant was £48k below the grant, producing an underspend at the year end and this has been transferred to the earmarked reserve to meet known future commitments required in achieving service objectives in 2015/16.

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

- £3.622m relates to contributions to and from earmarked reserves and cash limits to support specific projects in 2014/15 and 2015/16, including £0.651m transferred to the Social Care Reserve for use in 2015/16; £46k transferred to the Continuous Professional Development reserve, relating to the trading account surplus at the year end; £0.161m transfer to the Tackling Troubled Families reserve which will fund planned commitments in 2015/16; £0.140m transfer to the Education reserve, relating to trading account surplus at the year-end across a number of service areas within the Education service and funding related to the SEND Reforms; a £1.483m transfer to a new Transformation Reserve for planned future expenditure; a £0.137m contribution adjustment to Public Health reserves and a £0.175m adjustment to the previously forecast contribution from the Aycliffe Secure Reserve.
- £3.920m net contribution to reserves in relation to equal pay, ER/VR costs and insurance recharges.
- £33.245m – relating to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration recharges. In the main, this relates to capital charges (£31.709m) which is offset in the Revenue Summary, shown at Appendix 2.

26 Taking the outturn position into account, the cash limit reserve to be carried forward for Children and Adults Services is £9.443m. There is pre-committed planned use of this reserve of £0.187m during 2015/16.

### **Dedicated Schools Grant**

27 The Dedicated Schools Grant (DSG) allocation for 2014/15 was £351.413m, however due to schools converting to academies and reduction in high needs allocations for payments made direct by the Education Funding Agency the budget was reduced by £70.140m in year to £281.273m. This includes both the delegated schools budget and the centrally retained DSG budget.

28 The total revised delegated budget for maintained schools (including early years' providers) was £255.179m.

29 Where schools spent more or less than their delegated budgets, the difference either reduces or increases their accumulated balance. Schools-related balances were £24.296m at 31 March 2015, a decrease of only £0.389m from the previous year and substantially less than the £7.043m planned use of balances that was previously forecast, which has been attributed to delays in implementing planned capital investments by the schools.

30 The level of school balances and the planned use of these sums continue to be challenged and closely monitored; particularly those schools with a deficit

balance and robust arrangements have been put in to place to monitor these in parallel with budget plans developed by the school given the additional risks from schools that could potentially become a sponsored academy.

- 31 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 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 has worked constructively with schools to address any concerns and, where appropriate, taken action to ensure the risk to the School and the Council is mitigated. Given that the planned and actual use of schools balances in year varied significantly there is still some work to do to improve financial planning within schools and we will prioritise this in the coming year.
- 32 At 31 March 2015 there were 9 schools with a deficit balance carried forward totalling £1.779m, 16 schools holding a surplus balance carried forward of less than 2.5% of their overall funding totalling £0.306m and 229 schools with surplus balances of more than 2.5% of their overall funding totalling £25.701m. This can be compared with the position at 31 March 2014 when 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. Total net schools balances at 31 March 2015 were £24.244m, compared to £24.684m at 31 March 2014.
- 33 The pressure areas for the centrally controlled element of the DSG in 2014/15 have been within the post 16 high needs provision and the capitalised repair and maintenance. This has been offset by underspends within early years provision; school improvement; High Needs Special Education Needs and Disabilities (SEND) children's placements in maintained, academy and independent special schools; and the Education Service Team dealing with SEND children.
- 34 The overall outturn position for the centrally retained element of the DSG shows an underspend of £3.998m. The earmarked reserve relating to centrally retained DSG carried forward at 31 March 2015 is £10.365m, of which £1.493m is earmarked for Schools relating to the Growth Fund, school improvement and rates, £3.296m relates to early years provision, £0.711m for outstanding commitments for the capital programme and the balance will support continuing High Needs pressures in 2015/16.

### **Neighbourhood Services**

- 35 The 2014/15 outturn for Neighbourhood Services is a cash limit underspend of £2.984m. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of / contributions to earmarked reserves.
- 36 The cash limit outturn position compares to the previously forecast Quarter 3 position of a cash limit underspend of £1.105m.

37 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:

- Direct Services - an underspend of £2.200m. This was mainly due to Building Services generating an increased surplus of £1.000m, from a higher than anticipated workload throughout the year. There were also savings of £0.700m in Admin Buildings and Depot running costs, one-off VAT refunds of £0.200m relating to Catering and Trade Refuse, and an underspend of £0.440m throughout the service relating to the early delivery of 2015/16 MTFP savings.
- Highway and Design Services – the trading areas of this service generated increased surpluses of approximately £2.500m in year due to higher than anticipated workloads and increased productivity, but these surpluses were largely offset by increased policy led expenditure on highway maintenance in relation to Category 1 and Category 2 defects, along with increased general maintenance around patching, drainage and footways, increased expenditure on Bridge Inspections, and increased gully cleansing activity in year. Taking these managed overspends into account, there was an overall cash limit underspend of £0.100m within Technical Services in the year.
- Culture and Sport – the Library Service was £0.380m underspent due to savings associated with employees, as a result of a restructure linked to MTFP savings and also savings in energy costs in year.
- Projects and Business Services - an underspend of £0.250m resulted from additional income from power generation in Strategic Waste (£0.100m) and there were also managed savings in employees and supplies and services of £0.150m across the service.

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

- £3.866m – relates to a net contribution to earmarked reserves and cash limits to support specific projects in 2015/16, including a £1.500m contribution to earmarked reserves to support one off expenditure in Culture and Sport; a £2.600m contribution to earmarked reserves in respect of Highways, Waste Disposal, and Environmental Health; and a £0.300m contribution from earmarked reserves in respect of Buildings and Grounds Maintenance, and Street Cleaning.
- Approximately £1.800m of the Reserves movement is due to newly identified operational issues which require addressing in 2015/16. These include essential investment in equipment, health and safety initiatives in depots, repairs to playgrounds and footpaths, and drainage inspections. In addition a reserve of £0.800m has been set up relating to funding that is held on behalf of County Durham Sport.
- The movement on Reserves also includes a contribution of £0.755m to the Winter Maintenance Reserve that was established at the end of

2013/14. This contribution represents the underspend on Winter Maintenance activities during 2014/15, and reflects the relatively mild conditions that were experienced during the last winter. In previous years, any overspends on Winter Maintenance were treated as outside the cash limit, but in future it is expected that the Winter Maintenance Reserve (now £1.755m) will be utilised when severe winter events occur and the annual budget, which was increased by £1.300m in 2014/15, is insufficient to meet the unavoidable costs in this area.

- £1.802m net contribution to reserves in relation to ER/VR costs, Job Evaluation Settlement and Insurance recharges.
- £23.953m relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration recharges. In the main, this relates to capital charges (£20.251m) which is offset in the Revenue Summary, shown at Appendix 2.

39 Taking the outturn position into account, the Cash Limit Reserve to be carried forward for Neighbourhood Services is £5.076m. There is pre-committed planned use of this reserve of £80k across the MTFP 5 period.

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

40 The 2014/15 outturn for Regeneration and Economic Development is a cash limit underspend of £1.395m. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of contributions to earmarked reserves.

41 The cash limit outturn position compares to the previously forecast position of a cash limit underspend of £1.320m.

42 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across RED throughout the year to remain within the cash limit. The outturn position is accounted for as follows:

- Strategy Programmes and Performance - £84k underspend, resulting from managed savings on employee costs due to vacancies, maternity leave and staff working reduced hours.
- Economic Development and Housing - £90k managed underspend, primarily due to MTFP savings made early in the housing solutions service, offset by additional spend in economic development on supporting apprenticeships.
- Planning and Assets - £0.290m underspend, consisting of a £0.641m underspend in the Planning Service and a £0.351m overspend on the Assets function. The underspend in the Planning Service primarily results from increased planning and building control fee income, from the management of vacant posts and other efficiency savings on running costs. The Assets Service experienced income pressures, mainly from Newgate Street in Bishop Auckland, the Brackenhill Centre

in Peterlee and Millennium Square in Durham City where budgeted rental income was not achieved in year.

- Transport and Contract Services - £0.907m underspend. Included in the outturn is reduced car parking income in year of £0.192m, offset by savings in the subsidised bus services contracts of £0.373m and additional Care Connect income of £0.228m, plus other general efficiency savings across supplies and services budgets totalling £0.498m.
- Central Costs – £24k underspend due to minor variances across a number of budget headings

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

- £0.970m – relates to contributions to and from earmarked reserves and cash limits to support specific projects in 2015/16
- £8.574m – relates to a range of adjustments associated with capital charges, centralised repairs and maintenance, central administration and concessionary fares

44 Taking the outturn position into account, the Cash Limit reserve to be carried forward for Regeneration and Economic Development is £3.216m.

## Resources

45 The 2014/15 outturn for Resources is a cash limit underspend of £1.970m. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of / contributions to earmarked reserves.

46 The cash limit outturn position compares to the previously forecast position at quarter 3 of a cash limit underspend position of £1.439m.

47 The underspend is a managed position, reflecting the proactive management of activity by Heads of Service across Resources throughout the year to remain within the cash limit. The outturn position is accounted for as follows:

- Corporate Finance underspent by £0.321m. £0.178m of this relates to the early achievement of MTFP savings and adjustments required to offset budget pressures in 2015/16, with a further £68k relating to managed underspends against employees. There was also increased income of £45k for VAT services and £30k from SLA income (including academies) achieved in the year.
- Financial Services was underspent by £0.452m, consisting of planned underspending of £0.256m in respect of the early achievement of MTFP savings and adjustments required to offset budget pressures in 2015/16. There were also a managed underspend against employees (£0.143m) resulting from the careful management of vacancies and a

net underspend in other areas, with cost increases more than offset by increased income from SLAs, grants and contributions.

- Human Resources was underspent by £0.272m, with a £0.371m saving from staff vacancies from the service restructure linked to MTFP savings in 2014/15 and 2015/16, partly offset by costs incurred in support of the restructure.
- ICT Services was underspent by £12k, including a £0.100m underspend on employees from the early achievement of MTFP savings and £0.139m from overachieved income, offset by a £0.118m overspend on direct revenue funding of capital and debt write-offs plus a £71k underspend on the Digital Durham project.
- Internal Audit was underspent by £78k primarily from a £54k managed underspend position on employees, through tight management and control of staff vacancies and secondments in anticipation of 2015/16 MTFP savings.
- Legal and Democratic Services was underspent by £0.759m, including £0.135m from the early achievement of future years MTFP savings, £0.170m from vacancy savings, £0.240m on supplies and services (including £86k on barrister and legal fees) and increased income of £0.121m (including £70k for Registration Services).
- Service Management was underspent by £75k, through income generated from providing services to Northumberland County Council under a collaborative arrangement.

48 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:

- £0.665m – relates to contributions to and from earmarked reserves and cash limits to support specific projects in 2015/16
- £3.717m – relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration recharges.

49 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve to be carried forward for Resources is £3.857m.

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

- 50 Centrally Allocated Costs were £45k under budget in 2014/15. The outturn has been adjusted to take into account adjustments for the use of / contributions to earmarked reserves.
- 51 The outturn position compares to the previously forecast under budget position of £48k. The net under budget includes under budget positions on bank charges (£71k), audit fees (£72k), subscriptions (£15k) and an ANEC refund (£16k), which are partly offset by an unbudgeted payment to NECA (£80k) and an over budget on expenses associated with raising loans (£49k).
- 52 Further to the quarter 3 forecast of outturn report, the following item has been excluded from the outturn in arriving at the cash limit outturn position:
- £0.118m – relates to a contribution to the Welfare Assistance Reserve to support specific projects in 2015/16

## **Central Budgets**

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

- 53 The Revenue Summary at Appendix 2 shows a net £4.536m 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**

- 54 There has been an overachievement of investment income of £0.437m which is due to the higher than anticipated levels of cash balances held during 2014/15. 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 2014/15. The improved position is also a result of investing £20m with the Royal Bank of Scotland in a two-year stepped deposit account, which is attracting higher interest rates of 1.1% for the period 15 December 2014 to 14 December 2015, and 1.5% from 15 December 2015 to 15 December 2016.

### **Education Services Grant**

- 55 The outturn reflects net additional grant income of £0.294m which was due to the actual grant notification being higher than the amount budgeted for in 2014/15.

## 2014/15 Capital Outturn

### General Fund Capital Programme

- 56 The original General Fund (GF) capital budget for 2014/15, taking into account the budgets approved by Council on 26 February 2014 and adjustments for re-profiling of underspends at 2013/14 year end was £188.633m. This was agreed by Cabinet on 16 July 2014.
- 57 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 to and approved by Cabinet as part of the quarterly budgetary control reports in year. Requests for re-profiling capital programme underspends at 31 March 2015 have also been considered by MOWG.
- 58 The following table summarises the revised capital budgets, taking into account revisions considered by MOWG and agreed by 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 2015.

### General Fund Capital Programme 2014/15

Service	Revised 2014/15 Budget £m	2014/15 Outturn £m	Variance £m	Additions / Deletions From Budget £m	Reprofiling £m
Assistant Chief Executives	3.565	1.585	1.980	0.027	-2.007
Children and Adults Services	46.894	41.601	5.293	1.524	-6.818
Neighbourhoods	39.119	33.978	5.141	0.916	-6.057
Regeneration and Economic Development	36.554	33.252	3.302	0.065	-3.367
Resources	7.179	6.798	0.381	0.107	-0.487
<b>Total</b>	<b>133.311</b>	<b>117.214</b>	<b>16.097</b>	<b>2.639</b>	<b>-18.736</b>

- 59 In addition to underspends requested to be carried forward into 2015/16 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 2015/16 budgets have been reduced to offset the increased activity in 2014/15. All re-profiling considered by MOWG has now been reflected in the 2015/16 revised capital budget.
- 60 The Capital Programme is financed via various funding sources including grants, capital receipts, revenue contributions, contributions from reserves and borrowing. The financing of the 2014/15 Outturn is detailed in the following table.

## Financing – General Fund Capital Programme 2014/15

Financed by	2014/15 Outturn £m
Grants	56.708
Direct Revenue Financing	
DSG	4.281
Other	13.482
Capital Receipts	11.630
Borrowing	31.113
<b>Total</b>	<b>117.214</b>

### Service Grouping Commentary

61 The primary reasons for the net capital underspending of £16.097m (circa 12% under budget at year end) are set out below:

#### Assistant Chief Executive (ACE)

62 The underspend of £1.980m within ACE is mainly due to:

- **Members Budgets** – Underspend £1.649m.  
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 £0.239m.  
Progress on the community buildings capital works programme has been delayed to allow time for the completion of new lease agreements for the buildings before works commence.
- **AAP – AAP Area Budgets** - Underspend £92k.  
Each AAP is encouraged to invest their annual allocation within each financial year. Current guidance states that uncommitted funds may only be carried forward where a clear spending plan has been identified.

#### Children and Adults Services (CAS)

63 The underspend of £5.293m for CAS is mainly due to:

- **BSF Schemes** – Underspend £0.593m.  
Milestone payments for work at Consett Academy have been delayed and some outstanding final accounts on historic projects have yet to be resolved.

- **Devolved Formula Capital** – Underspend £1.857m.  
Work has been delayed as awaiting individual schools to finalise capital investment plans.
- **School Related** – Underspend £2.361m.  
Mainly due to delay in the receipt of final accounts. Officers prudently earmarked the sum of £0.454m to meet the cost of emergency works, which did not arise 2014/15. The demolition work at the Greenland Community School has been delayed due to the filming of 'Inspector George Gently'.
- **Public Health** – Underspend £0.236m.  
Primarily related to grant related expenditure payable to Livin on completion of a residential project. The project awaits completion but confirmation from the grant making body that the Grant provision can be carried forward to 2015/16 has been received.
- **Other areas** – Underspend £0.246m.  
Investment in schemes associated with Children's Residential Homes and Learning Disability Service provision has been reprofiled into 2015/16.

## Neighbourhood Services

64 The underspend of £5.141m for Neighbourhood Services is mainly due to:

- **Direct Services** – Underspend £2.515m.  
This is primarily due to the supplier revising the delivery date of vehicles ordered by the Authority during 2014/15 with delivery now expected in 2015/16.
- **Culture and Sport** – Underspend £0.217m.  
The underspend in this area is due mainly to the following factors:
  - Wharton Park (£44k) - The demolition of Wharton Park house came in below tender and the construction programme was revised and will progress in 2015/16.
  - Newton Aycliffe CAP (£64k) - This scheme includes the demolition of an adjacent building not owned by the Council, which was delayed. It is anticipated that construction work will continue in 2015/16.
  - DLI Museum Collection Restoration Scheme (£50k) - This scheme has been delayed due to the accommodation review currently being undertaken by Neighbourhood Services and has been reprofiled into 2015/16.
- **Projects and Business** – Underspend £1.135m.  
Mainly due to an underspend on the Stanley CAP project, which was programmed over two years. The majority of the construction work will now be completed in 2015/16.

- **Technical Services – Underspend £1.274m**  
The outturn position is due to the following factors:
  - The underspend of £0.254m relating to Bridges is due to work on a number of structures being reprogrammed into 2015/16 as a result of on-going issues with land negotiations or further investigatory work. An additional underspend of £55k is due to a number of completed schemes for which the final account will be processed in 2015/16.
  - Overall, Street Lighting schemes were underspent by £0.220m as several schemes were reliant on the Northern Grid Programme to underground their overhead network. In addition, there were savings on a number of schemes where costs were lower than projected as well as the use of trenchless technology, which reduced disruption and led to the actual charge being lower than the original estimate.
  - Highways – Final accounts for completed work are awaited and also the Speedvisor rotation costs within Traffic and Community Engagement were lower than originally planned. Work on the AAP schemes will continue into 2015/16.

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

65 The underspend of £3.302m for RED is mainly due to:

- **Economic Development and Housing – Underspend £2.579m.**  
Primarily the outturn position is due to the following factors:
  - Progress on the multiyear Gypsy Roma Traveller sites project is ahead of schedule with an associated additional expenditure of £0.462m being incurred earlier than initially expected.
  - Under spend on the Disabled Facilities (DFG)/Financial Assistance schemes (£1.281m) where 120 DFG's were committed but payment had not been processed by 31 March 2015 and 138 Decent Home loans which were being processed but not finalised by the year end.
  - Housing Renewal also experienced an underspend of £0.570m resulting in part from weather conditions delaying the Group Repair work at Craghead and the rescheduling of the environmental improvement project at Easington into quarter 1 of 2015/16.
  - Underspend at Durham Gate of £0.320m relates to the retention of final payments prior to the resolution of ongoing legal issues.
  - Town centre underspent by £0.377m. In the main, this is due to longer than anticipated negotiations relating to Peterlee North

East Industrial Estate and in-year savings against several town centre renewal initiatives.

- Required revision in delivery schedule involved with St Johns Square in addition to retention payments at Thornley Community Centre led to a combined underspend of £0.132m.
- Final contract retention payments associated with the Barnard Castle Vision projects have led to an underspend of £95k.
- Savings from completed Customer Access Points have resulted in an underspend of £0.131m on the first phase of the Office Accommodation project.
- On-going design and feasibility works connected with the new build programme associated with NETPARK await final completion leading to a £0.132m in year underspend.
- **Planning and Assets – Underspend £0.179m.**  
Primarily this is due to delays in reinstatement works awaiting completion (as at 31 March 2015) at Cobblers Hall together with retention payments on energy efficiency / boiler optimisation schemes leading to an underspend of £0.142m. This combined with underspends of £37k on the Structural Maintenance budget (which is part of a two year rolling programme) led to the noted underspend of £0.179m.
- **Transport – Underspend £0.544m.**  
Land acquisition issues delaying the start of construction at Villa Real and longer than initially anticipated negotiations regarding the provision of a new Bus Station in Durham are the primary causes of the in-year underspend of c£1.54m offset, in part, by progress ahead of schedule on the purchase of Peterlee Bus Station, c£0.5m.

## Resources

66 The underspend of £0.381m for Resources is mainly due to:

- **ICT - Underspend £0.277m**  
A delay in the installation of the Desktop Mailing equipment due to issues with supply led to this underspend. In addition, there was an underspend relating to Digital Durham due to existing BT infrastructure being available in the first phase of the contract rather than having to install new equipment as originally planned. However, it is anticipated that in the later phase of the contract new infrastructure will be required.
- **Finance - Underspend £0.104m**  
The underspend on the acquisition of the new Civica Pension system is attributable to two separate factors:
  - It was expected that the web installation would commence in January 2015 and payments would be due from that date. This

has now been delayed with the implementation expected to start in June/July 2015.

- Due to failures in performance of the Fire section of the new system, payment of invoices has been withheld until Civica carries out the work required to bring the system up to the satisfactory standard. This work is progressing and it is hoped that payment can be made in the near future.

## Capital Receipts

- 67 Income from the sale of assets (Capital Receipts) are utilised to support the capital budget. The 2014/15 budget for income from Capital Receipts was £10.229m. The final outturn position is shown in the following table:

Source	Sum Received £m
Land Sales	8.419
Land Sales via Durham Villages Regeneration Limited	0.758
VAT Shelter – Livin	1.156
VAT Shelter – Derwentside Homes	0.556
VAT Shelter – Teesdale	0.075
Preserved 'Right to Buy' Sales	0.573
Vehicle Sales	0.092
<b>Total</b>	<b>11.629</b>
Less: Income Budget	10.229
<b>Surplus</b>	<b>1.400</b>

- 68 Total receipts have exceeded the budget by £1.400m. Consideration will be given to utilising this surplus to finance current 'Self Financing' capital schemes to enable the revenue savings to be utilised to support the MTFP.

## Housing Revenue Account (HRA) – 2014/15 Revenue and Capital Outturn

### Revenue Outturn

- 69 Appendix 5 shows the outturn position on the HRA, showing the actual position compared with the original budget. In summary it identifies a surplus of £17.879m in year, which takes into account the impact of the stock transfer on 13 April 2015. The following table summarises the position:

Housing Revenue Account	2014/15 Budget	2014/15 Final Outturn	Variance
	£000	£000	£000
<b>Income</b>			
Dwelling Rents	-64,558	-64,834	-276
Other Income	-1,371	-4,431	-3,060
Interest and Investment Income	-105	-112	-7
<b>Total Income</b>	<b>-66,034</b>	<b>-69,377</b>	<b>-3,343</b>
<b>Expenditure</b>			
ALMO Fees	16,799	16,799	0
Repairs, Supervision and Management Costs	12,019	13,043	1,024
Depreciation	7,872	7,337	-535
Interest Payable	12,627	10,501	-2,126
Revenue Contribution to Capital Programme	16,717	3,818	-12,899
<b>Total Expenditure</b>	<b>66,034</b>	<b>51,498</b>	<b>-14,536</b>
<b>2014/15 Surplus transferred to balances</b>	<b>0</b>	<b>-17,879</b>	<b>-17,879</b>

- 70 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: £0.276m increased income** – this results from a lower than anticipated void rate and less Right to Buys being completed in year;
  - b) **Other Income (Charges for Services): £3.009m additional income** – this primarily results from additional NWA water commission plus a repayment of ALMO reserves (£2.728m) back to the Council in advance of the stock transfer on 13 April 2015;
  - c) **Repairs and Maintenance: £0.167m over budget** – this results from higher than anticipated responsive repairs in the Durham City Homes area during the year;
  - d) **General Supervision and Management: £1.438m over budget** – this results from £60k under budget from savings on vacant posts and premises costs at Durham City Homes offset by £1.259m one off additional costs incurred in setting up the new Housing Company which was previously agreed to be met from existing revenue savings. In addition, £0.239m was spent on Welfare Reform initiatives, which were charged to the HRA and always planned to be met from HRA reserves;

- e) **Depreciation and Impairment: £0.535m under budget** – resulting from less impairment being incurred on HRA non dwelling assets at year end;
- f) **Changes in Bad Debt Provision: £0.565m under budget** – this results from lower than anticipated arrears, 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: £2.126m under budget** – this results from a lower interest rate and lower outstanding loan debt than originally anticipated, due in part to the re-profiling of the capital programme in year;
- h) **Revenue Support to Capital: £12.899m under budget** – resulting from an increased reliance on borrowing to finance the capital programme at the year end, which was then subsequently written off at stock transfer.

71 The final position on the HRA Reserve as at 31 March 2015 is £26.078m.

### HRA Capital Outturn

72 The original HRA capital budget for 2014/15 approved by Council on 26 February 2014 was £50.489m.

73 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 2014/15 with the revised budget being £46.717m.

74 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 2015.

### Housing Revenue Account Capital Programme 2014/15

Service	Revised 2014/15 Budget £m	2014/15 Outturn £m	Variance £m	Additions / Deletions From Budget £m	Reprofiling £m
HRA	46.717	42.826	3.891	-3.891	-
<b>Total</b>	<b>46.717</b>	<b>42.826</b>	<b>3.891</b>	<b>-3.891</b>	<b>-</b>

- 75 The following table summarises the recommended financing of the HRA capital programme spend in 2014/15:

#### **Financing – Housing Revenue Account Capital Programme 2014/15**

<b>Financed by</b>	<b>2014/15 Outturn £m</b>
Grants	18.682
Direct Revenue Financing	3.818
Capital Receipts	1.346
Major Repairs Allowance	7.468
Borrowing	11.512
<b>Total</b>	<b>42.826</b>

- 76 The 2014/15 outturn capital expenditure was £42.826m against a revised budget of £46.717m, resulting in a £3.891m underspend for the year.

- 77 The underspend of £3.981m for the HRA is mainly due to:

- **£3.5m underspend on capital works in the East Durham Homes (EDH) area.**

There are contractual payments outstanding for work completed in the EDH area, which are currently being evaluated and validated by EDH and the Council. A provision to meet this payment will be made from available HRA reserves carried forward into 2015/16 and is anticipated to be within the original budget allocation.

#### **Collection Fund – Council Tax and Business Rates**

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

#### **Council Tax**

- 79 Council Tax is charged for all residential dwellings in bandings agreed by the Valuation Office Agency, which is part of Her Majesty's Revenues and Customs (HMRC). Exemptions, reliefs and discounts are awarded dependent upon the state of the property, its use and occupiers' personal circumstances.

- 80 The in-year collection rate in 2014/15 was marginally below the target set for the year but is a considerable improvement (0.36% points over the in-year performance achieved in 2013/14). The improved in-year performance is in the context of a year on year increase in collectable debt of c£7.456m, because of the 1.99% council tax increase, the increase in new housing development and a decrease in the amount of Council Tax Reduction being claimed. This improvement has been achieved through more automation of the 2014/15 recovery schedule used to target non-payers. A detailed review has also been undertaken during 2014/15 analysing the collection rates relating to various classifications of premises, such as empty property, to ensure optimal targeting of resources to further improve the collection rate.
- 81 The in-year collection at 31 March for the last three years including the current year are shown below:

<b>Billing Year</b>	<b>Position at 31 March Each Year %</b>
2014/15	95.8
2013/14	95.4
2012/13	95.0

- 82 The current overall collection rate for 2013/14 (position as at 31 March 2015) council tax is now 97.71% and for 2012/13 council tax is now 98.48%. The Council continues to recover Council Tax from earlier years and currently, the collection rate for all years excluding the current year is 99.18% which is line with our medium term financial plan forecasts.
- 83 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%.
- 84 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, income is received and 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 proportionately between the Council and its major preceptors Durham Police and Crime Commissioner and County Durham and Darlington Fire and Rescue Authority.

- 85 At 31 March 2015, the Council Tax Collection Fund is in a surplus position, as shown in the table below. Durham County Council's share of this surplus is £0.412m.

	<b>£'000</b>
Net Bills issued during Accounting Year 2014/15	266,363
LCTRS and previous year CTB adjustments	-52,221
Calculated change in provision for bad debts required and write offs	-1,873
<b>Net income receivable (a)</b>	<b>212,269</b>
Precepts and Demands on the Fund	
Durham County Council (including Parish/Town Councils)	179,295
Durham Police and Crime Commissioner	20,592
County Durham and Darlington Fire and Rescue Authority	11,893
<b>Total Precepts and Demands (b)</b>	<b>211,780</b>
<b>Net Surplus / (-) Deficit for year (a) – (b)</b>	<b>489</b>
<b>Surplus Brought Forward from 2013/14</b>	<b>2</b>
<b>Year end surplus</b>	<b>491</b>

- 86 At 15 January in each year, the Council is required to estimate the surplus/deficit on the Collection Fund Council Tax Account and notify the two major preceptors of this for inclusion in the budget setting process for the following year as an additional income or expenditure item.
- 87 At 15 January 2015 the estimate was for a break-even position on the Council Tax Collection Fund for 2014/15 and this is what was declared. The actual surplus at 31 March 2015, £0.491m, will be carried forward to 15 January 2016 and will be taken into account in estimating the surplus/deficit at 31 March 2016, which will need to be taken into account for 2016/17 budget setting.
- 88 Over the past three years, the Council Tax provision for bad debts has been increasing steadily. This managed approach has been necessary to minimise the risk of the Council Tax Collection Fund does not move into deficit whilst securing the robustness of the levels of provision held. The provision is forecast to reach the targeted level originally envisaged, but the method of calculation applied currently differs to that applied to Business Rates and Sundry Debtors provisions for bad debts.
- 89 A further review of the provision has now been undertaken to bring it into line with that used to calculate Business Rates provision, based on that used for Sundry Debtors with amendments that take account of the differing billing

model within the Collection Fund and this is reflected in the figures in the table above.

## **Business Rates**

- 90 Business rates have been levied on all non-domestic properties since 1990. Prior to 2013/14, 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.
- 91 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 important and new monitoring procedures have been devised for this purpose.
- 92 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 2014 estimate that was used for budget setting purposes. In January 2015 an in-year surplus of £4.302m was forecast, netting to a surplus of £1.020m after taking into account the deficit brought forward from 2013/14. Of this, Durham County Council's share was £0.500m, which was taken into account in the 2015/16 budget setting process.
- 93 The following table shows the Business Rates Collection Fund outturn at 31 March 2015:

	<b>£'000</b>
Net rate yield for 2014/15 including previous year adjustments	114,793
Estimate of changes due to appeals lodged and future appeals	-2,493
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-473
Additional income- allocation of Deferred Rates 2012/13	446
<b>Net income receivable (a)</b>	<b>112,273</b>
Agreed allocated shares:	
Central Government (50%)	55,051
Durham County Council (49%)	53,950
County Durham and Darlington Fire and Rescue Authority (1%)	1,101
Recoupment of Previous year's deficit	-3,247
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	612
<b>Total fixed payments (b)</b>	<b>107,467</b>
<b>Net surplus for year (a) – (b)</b>	<b>4,806</b>
<b>Deficit (-) brought forward from 2013/14</b>	<b>-3,282</b>
<b>Estimated year end surplus</b>	<b>1,524</b>

- 94 Income was increased as a result of Central Government agreeing to include the balance of the Deferred Rates Scheme of £0.446m, from 2012/13, in the Business Rates Accounts for 2014/15.
- 95 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.
- 96 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 annual collection return known as the 'NNDR3' return. 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. For Durham County Council, deferred rates amounted to £0.446m, provision having been made for the repayment of this amount.
- 97 However, although Central Government could have recouped the whole of the deferred rates, the decision was taken to include this in the Business Rates Retention Scheme in 2014/15, resulting in shareholders benefitting from a one-off receipt. Durham County Council's share of the deferred rates element is £0.219m based upon this decision.

- 98 The in-year surplus of £4.806m offsets the deficit brought forward from 2013/14, leaving a residual balance of £1.524m at 31 March 2015. Any surpluses or deficits at 31 March in any year are shared proportionately between Durham County Council, Central Government and County Durham and Darlington Fire and Rescue, Durham County Council's share being 49%. At 31 March 2015, Durham County Council's share of the surplus is £0.747m. However, the increase in income is matched by a decrease in expected Section 31 grants related to Business Rate reliefs.
- 99 The Business Rates Retention Scheme has not changed the actual business rates charged to ratepayers and therefore is not expected to have a detrimental effect on collection rates. However, the payment profile has changed during 2014/15 because from 1 April 2014 businesses are statutorily allowed to request the right to spread their payments over 12 months rather than ten. The major Business Rates Payers (supermarket chains etc.) have all opted to take up this opportunity to re-profile their cash flow. However, robust collection procedures have ensured that the challenging collection target of 96.5% has been exceeded by 0.7 percentage points.
- 100 The in-year collection rates in at 31 March for the last three years, including the current year, are shown below:

Billing Year	31 March %
2014/15	97.2
2013/14	96.4
2012/13	96.0

- 101 The current overall collection rate for 2013/14 (position as at 31 March 2015) business rate liabilities is now 98.57% and for 2012/13 business rate liabilities is now 99.25%. The Council continues to recover Business Rates from earlier years and currently, the collection rate for all years excluding the current year is 99.5% which is line with our medium term financial plan forecasts.

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

- 102 Small Businesses, those occupying properties with a rateable value of under £12,000, benefit from relief on their rates payable providing they meet certain qualifying criteria. The Government has awarded local authorities a special 'Section 31' grant to cover their share of the shortfall in business rates that these small business ratepayers would otherwise have paid had the relief scheme not been in place.
- 103 Small Business Ratepayers with properties with rateable values up to £6,000 are currently being granted full relief instead of the 50% relief awarded 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.
- 104 The Section 31 grant has been calculated as 50% of the extended small business rate relief awarded. 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. A factor is then applied to compensate for the 2% increase cap placed on the increase in Business Rates as part of the Autumn Statement 2013 measures.

- 105 The Government has only agreed to pay Section 31 grant for the additional Small Business Rate Relief in respect of 2014/15 business rates bills and adjustments to the Small Business Rate Relief on 2013/14 bills. Any adjustments that relate to bills for years prior to this are dealt with as part of the normal Rate Retention shares. At 31 March 2015, the gross Small Business Relief awarded against 2014/15 Business Rates bills and adjustments to 2013/14 bills is £9.887m, and on this the Council will receive £2.386m in Section 31 Grant, including the capping adjustment.

### **Other Section 31 Grants**

- 106 In the Autumn Statement 2013, additional Business Rate Reliefs were announced for 2014/15, for which Section 31 Grants would be payable. These included one for properties empty from new, reoccupation of long-term empty properties and an additional relief for small shops. Durham County Council will be recompensed for any retained rates foregone because of reliefs given in this regard.
- 107 When assessing the outturn income from Business Rates, due regard must also be given on the effect that changes in estimated reliefs will have on the Section 31 grants. At 31 March 2015, the shortfall in Section 31 grants (including Small Business Rate Relief) was £0.773m, similar to the share of the estimated Collection Fund - Business Rates surplus, giving overall a net surplus of £25k.
- 108 Whilst the shortfall in Section 31 grants is accounted for in 2014/15, the surplus on Business Rates retention is accounted for in 2015/16, in terms of the estimated surplus that was used for budget setting, and in 2016/17, for the balance.

### **Provision for Appeals**

- 109 Ratepayers have the right to appeal against the rateable value of their properties which are assessed by the Government's Valuation Office Agency. 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 manage this, we have made a provision in our Business Rates Collection Fund for the repayment of rates already billed due to potential successful appeal outcomes. If successful, the appeal may result in a reduction being applied to all bills issued from 1 April 2010 for that property.
- 110 Only appeals submitted up to 31 March 2015 can be backdated to 1 April 2010 now. From 1 April 2015, appeals submitted up to 31 March 2017 will only be backdated to 1 April 2015. For these reasons, the provision for appeals has been increased to take account of the higher risk. At 31 March 2015, it is estimated that the provision for Appeals would need to be increased by £2.493m in 2014/15 and this was factored into the accounts.

## Recommendations and Reasons

- 111 It is recommended that Cabinet note:
- (i) the reduction in the Cash Limit Reserves of £21k in the year. These sums will be held as Earmarked Reserves and be available for Service Groupings to manage their budgets effectively.
  - (ii) the closing General Reserve balance of £28.904m.
  - (iii) the closing balance on Earmarked Reserves (excluding Cash Limit Reserves) is £192.180m of which £34.609m relate to school and Dedicated School Grant balances.
  - (iv) the closing Housing Revenue Account balance of £26.078m.
  - (v) the position for the Collection Funds in respect of Council Tax and Business Rates.
- 112 It is recommended that Cabinet approve:
- (vi) the capital budget carried forward of £18.736m 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 – 10 September 2014 – Forecast of Revenue and Capital Outturn 2014/15 for General Fund and Housing Revenue Account – Period to 30 June 2014
- (b) Cabinet – 19 November 2014 - Forecast of Revenue and Capital Outturn 2014/15 for General Fund and Housing Revenue Account – Period to 30 September 2014
- (c) Cabinet – 18 March 2015 - Forecast of Revenue and Capital Outturn 2014/15 for General Fund and Housing Revenue Account – Period to 31 December 2014

---

<b>Contact:</b>	<b>Jeff Garfoot</b>	<b>Tel: 03000 261946</b>
	<b>Paul Darby</b>	<b>Tel: 03000 261930</b>

---

---

## **Appendix 1: Implications**

---

### **Finance**

The report details the financial outturn for the Council for 2014/15 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 2015, 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 2014/15

	Cash Limit Adjustments								
	Original Budget 2014/15	Revised Budget	Service Groupings Final Outturn	Variance	Sums outside the cash limit	Cash Limit Reserve	Contribution to / Use of Earmarked Reserves	Cash Limit Position	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assistant Chief Executive	10,200	10,874	11,812	938	-1,586	0	414	-234	234
Children and Adults Services	275,231	259,176	209,110	-50,066	30,999	0	18,194	-873	873
Neighbourhood Services	109,765	110,602	78,036	-32,566	23,953	-39	5,668	-2,984	2,984
Regeneration and Economic Development Resources	42,653	44,077	50,286	6,209	-8,574	17	953	-1,395	1,395
	14,447	12,515	13,597	1,082	-3,717	0	665	-1,970	1,970
<b>Cash Limit Position</b>	<b>452,296</b>	<b>437,244</b>	<b>362,841</b>	<b>-74,403</b>	<b>41,075</b>	<b>-22</b>	<b>25,894</b>	<b>-7,456</b>	<b>7,456</b>
Contingencies	7,706	6,272	0	-6,272	0	0	6,500	228	-228
Centrally Held Budgets	0	1	-1,528	-1,529	1,546	0	0	17	-17
Corporate Costs	3,924	3,182	3,019	-163	0	0	118	-45	45
<b>NET COST OF SERVICES</b>	<b>463,926</b>	<b>446,699</b>	<b>364,332</b>	<b>-82,367</b>	<b>42,621</b>	<b>-22</b>	<b>32,512</b>	<b>-7,256</b>	<b>7,256</b>
Capital charges	-50,474	-49,501	-2,405	47,096	-44,515			2,581	-2,581
Gain/Loss on Disposal	0	0	-2,581	-2,581	0			-2,581	2,581
Interest and Investment income	-1,441	-1,441	-1,878	-437	0			-437	437
Interest payable and similar charges	38,444	38,291	33,755	-4,536	0			-4,536	4,536
HR Accrual	0	0	-2,220	-2,220	2,220			0	0
<b>Net Expenditure</b>	<b>450,455</b>	<b>434,048</b>	<b>389,003</b>	<b>-45,045</b>	<b>326</b>	<b>-22</b>	<b>32,512</b>	<b>-12,229</b>	<b>12,229</b>
<b>Funded By:</b>									
Council tax	-168,844	-168,844	-168,845	-1				-1	1
Use of (-) / contribution to earmarked reserves	-8,140	16,105	48,617	32,512				32,512	-32,512
Start up Funding Assessment	-250,409	-250,409	-250,444	-35				-35	35
New Homes Bonus	-6,784	-6,784	-6,783	1				1	-1
New Homes Bonus - Re-imbusement	-390	-390	-381	9				9	-9
Section 31 Grant - Small business rate relief	-2,194	-2,194	-2,397	-203				-203	203
Section 31 Grant - Settlement Funding Assessment Adj	-1,703	-1,703	-777	926				926	-926
Section 31 Grant - Retail Adjustment	-1,204	-1,204	-1,211	-7				-7	7
Education Services Grant	-7,237	-7,237	-7,531	-294				-294	294
Use of Cash Limit Reserve	-2,617	-7,455	-21	7,434				7,434	-7,434
Use of (-) / contribution to General Reserves	-933	-3,933	770	4,703				4,703	-4,703
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>326</b>	<b>-22</b>	<b>32,512</b>	<b>32,816</b>	<b>-32,816</b>

### Appendix 3: General Fund Revenue Summary by Expenditure / Income for 2014/15

	Original Budget 2014/15	Agreed 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			
Employees	483,046	498,071	511,765	0	13,694	-2,416	0	4,493	15,771	-15,771	0
Premises	49,510	55,383	61,701	0	6,318	-5,737	0	35	616	-616	0
Transport	46,657	46,212	43,901	0	-2,311	0	0	-10	-2,321	2,321	0
Supplies & Services	114,270	120,865	156,171	1,814	37,120	-2,198	17	1,318	36,257	-36,257	-29
Agency & Contracted	260,165	260,641	266,571	3,276	9,206	145	-39	5,518	14,830	-14,830	-12
Transfer Payments	206,771	205,626	216,325	0	10,699	0	0	-70	10,629	-10,629	0
Central Costs	94,797	83,824	67,723	0	-16,101	-8,172	0	10,613	-13,660	13,660	0
DRF	0	0	9,413	0	9,413	0	0	0	9,413	-9,413	0
Other	12,637	2,065	18,597	0	16,532	65	0	-19	16,578	-16,578	0
Capital Charges	50,474	49,501	4,986	0	-44,515	44,515	0	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>1,318,327</b>	<b>1,322,188</b>	<b>1,357,153</b>	<b>5,090</b>	<b>40,055</b>	<b>26,202</b>	<b>-22</b>	<b>21,878</b>	<b>88,113</b>	<b>-88,113</b>	<b>-41</b>
<b>Income</b>											
- Specific Grants	539,986	544,166	586,265	2,037	44,136	-5,301	0	-1,592	37,243	-37,243	30
- Other Grants & conts	25,830	37,471	36,785	0	-686	-123	0	-498	-1,307	1,307	0
- Sales	5,367	5,154	9,288	0	4,134	-264	0	-87	3,783	-3,783	0
- Fees & charges	104,308	105,646	111,264	32	5,650	-8	0	51	5,693	-5,693	-32
- Rents	5,470	5,448	6,521	0	1,073	0	0	-12	1,061	-1,061	0
- Recharges	174,150	175,821	231,249	0	55,428	-10,723	0	-1,151	43,554	-43,554	0
- Other	6,996	8,056	14,468	2	6,414	0	0	-845	5,569	-5,569	-2
<b>Total Income</b>	<b>862,107</b>	<b>881,762</b>	<b>995,840</b>	<b>2,071</b>	<b>116,149</b>	<b>-16,419</b>	<b>0</b>	<b>-4,134</b>	<b>95,596</b>	<b>-95,596</b>	<b>-4</b>
<b>NET EXPENDITURE</b>	<b>456,220</b>	<b>440,426</b>	<b>361,313</b>	<b>3,019</b>	<b>-76,094</b>	<b>42,621</b>	<b>-22</b>	<b>26,012</b>	<b>-7,483</b>	<b>7,483</b>	<b>-45</b>

## Appendix 4: General Fund Earmarked Reserves as at 31 March 2015

	EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	2013/14 CLOSING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	2014/15 CLOSING BALANCE AS AT 31 MARCH 2015
			£,000	£,000	£,000	£,000	£,000	£,000
1	ACE AAP/Members Reserve	ACE	-3,276	0	-428	5	-423	-3,699
2	ACE Grant Reserve	ACE	-230	39	-3	0	36	-194
3	ACE Operational Reserve	ACE	-132	8	0	0	8	-124
4	Social Care Reserve	CAS	-8,514	659	-6,230	750	-4,821	-13,335
5	Community Safety Reserve	CAS	-6	6	0	0	6	0
6	Aycliffe Young People's Centre Reserve	CAS	-1,387	185	0	0	185	-1,202
7	Continuing Professional Development Reserve	CAS	-993	0	-42	0	-42	-1,035
8	Education Reserve	CAS	-987	0	-1,402	-51	-1,453	-2,440
9	Tackling Troubled Families	CAS	-1,557	0	-470	0	-470	-2,027
10	Transformation Reserve	CAS	0	0	-1,483	0	-1,483	-1,483
11	Special Projects Reserve	CAS	-60	23	0	0	23	-37
12	Public Health Reserve	CAS	-4,992	9	0	0	9	-4,983
13	Neighbourhoods AAP Reserve	NS	-38	0	-2	0	-2	-40
14	Customer Services Reserve	NS	-387	14	0	0	14	-373
15	Direct Services Reserve	NS	-3,675	1,242	-610	0	632	-3,043
16	Env. Health and Consumer Protection Reserve	NS	-516	97	-581	0	-484	-1,000
17	Culture and Sport Reserve	NS	-1,962	386	-1,617	0	-1,231	-3,193
18	Strategic Waste Reserve	NS	-425	177	-1,548	0	-1,371	-1,796
19	Technical Services Reserve	NS	-1,619	300	-1,603	0	-1,303	-2,922
20	Transport Asset Management Programme Reserve	NS	-318	0	0	0	0	-318
21	Business Growth Fund Reserve	RED	0	0	0	-913	-913	-913
22	Economic Development Reserve	RED	-1,401	288	-373	0	-85	-1,486
23	Planning Reserve	RED	-1,173	0	-250	0	-250	-1,423
24	North Pennines AONB Partnership Reserve	RED	-637	308	0	0	308	-329
25	Employability and Training Reserve	RED	-644	186	0	0	186	-458
26	RED Regeneration Reserve	RED	-1,628	0	-429	713	284	-1,344
27	Housing Regeneration Reserve	RED	-61	0	-349	0	-349	-410
28	Housing Solutions Reserve	RED	-1,079	228	-16	0	212	-867
29	Restructure Reserve	RED	-729	66	0	0	66	-663
30	LSVT Reserve	RED	-100	0	0	100	100	0
31	Transport Reserve	RED	-329	42	0	0	42	-287
32	Funding and Programmes Management Reserve	RED	-131	0	-9	0	-9	-140
33	Resources Corporate Reserve	Resources	-2,219	104	-349	1,480	1,235	-984
34	Resources DWP Grant Reserve	Resources	-928	50	-1,052	0	-1,002	-1,930
35	Resources System Development Reserve	Resources	-1,291	451	0	0	451	-840
36	Resources Housing Benefit Subsidy Reserve	Resources	-2,198	253	0	1,200	1,453	-745
37	Local Council Tax Support Scheme Reserve	Resources	-1,031	0	0	0	0	-1,031
38	Resources Land Search Fees Reserve	Resources	-1,000	0	0	0	0	-1,000
39	Resources Legal Expenses	Resources	-200	0	0	0	0	-200
40	Resources Elections Reserve	Resources	-1,036	0	0	0	0	-1,036
41	Resources ICT Reserves	Resources	-730	0	-141	0	-141	-871
42	Health Promotion Access Catalogue (HPAC) Reserve	Resources	0	0	-259	0	-259	-259
43	Human Resources Reserve	Resources	0	0	-65	0	-65	-65
44	Cabinet Reserve	Corporate Fin	-220	0	0	220	220	0
45	Corporate Reserve - Demographic Pressures	Corporate Fin	-10,850	3,150	-15,150	-750	-12,750	-23,600
46	Equal Pay Reserve	Corporate Fin	-17,405	3,685	-394	0	3,291	-14,114
47	Insurance Reserve	Corporate Fin	-13,057	0	-2,544	0	-2,544	-15,601
48	Performance Reward Grant Reserve	Corporate Fin	-1,308	264	0	0	264	-1,044
49	MTFP Redundancy and Early Retirement Reserve	Corporate Fin	-16,256	5,378	0	0	5,378	-10,878
50	Office Accommodation Project Support Reserve	Corporate Fin	-1,000	0	-7	0	-7	-1,007
51	Planned Delivery Programme (PDP) Reserve	Corporate Fin	0	0	-13,000	-7,000	-20,000	-20,000
52	Capital Expenditure Reserve	Corporate Fin	-2,797	0	0	-5	-5	-2,802
53	Office Accommodation Capital Reserve	Corporate Fin	0	0	-8,000	0	-8,000	-8,000
	<b>Total Non-Schools Reserve</b>		<b>-112,512</b>	<b>17,598</b>	<b>-58,406</b>	<b>-4,251</b>	<b>-45,059</b>	<b>-157,571</b>
	<b>Cash Limit Reserves</b>							
54	Assistant Chief Executive		-1,005	250	-234	216	232	-773
55	Children and Adults Services		-12,029	1,879	-873	1,580	2,586	-9,443
56	Neighbourhood Services		-2,782	668	-2,984	22	-2,294	-5,076
57	Regeneration and Economic Development		-3,007	0	-1,395	1,186	-209	-3,216
58	Resources		-3,563	480	-1,970	1,196	-294	-3,857
	<b>Total Cash Limit Reserves</b>		<b>-22,386</b>	<b>3,277</b>	<b>-7,456</b>	<b>4,200</b>	<b>21</b>	<b>-22,365</b>
	<b>Total Non-Schools Earmarked Reserves</b>		<b>-134,898</b>	<b>20,875</b>	<b>-65,862</b>	<b>-51</b>	<b>-45,038</b>	<b>-179,936</b>
	<b>Schools' Balances</b>							
Sch 1	Schools' Revenue Balance	CAS	-24,684	389	0	51	440	-24,244
Sch 2	DSG Reserve	CAS	-6,367	0	-3,998	0	-3,998	-10,365
	<b>Total Schools and DSG Reserve</b>		<b>-31,051</b>	<b>389</b>	<b>-3,998</b>	<b>51</b>	<b>-3,558</b>	<b>-34,609</b>

## Appendix 5: Housing Revenue Account 2014/15 Outturn Position

	Annual Budget	Final Outturn	Variance	
	£000	£000	£000	
<b>Income</b>				
Dwelling Rents	-64,558	-64,834	-276	a)
Non Dwelling Rents	-1,024	-1,075	-51	
Charges for Services and Facilities	-347	-3,356	-3,009	b)
<b>Total Income</b>	<b>-65,929</b>	<b>-69,265</b>	<b>-3,336</b>	
<b>Expenditure</b>				
ALMO Management Fee and Outsourced Contract	16,799	16,799	0	
Repairs and Maintenance	4,462	4,629	167	c)
Supervision and Management - General	4,061	5,499	1,438	d)
Supervision and Management - Special	436	424	-12	
Rents, Rates, Taxes and other Charges	410	422	12	
Depreciation and Impairment of fixed assets	7,872	7,337	-535	e)
Increase/Decrease in bad debt provision	988	423	-565	f)
Debt Management Costs	175	175	0	
<b>Total Expenditure</b>	<b>35,203</b>	<b>35,708</b>	<b>505</b>	
<b>Net cost of HRA services per Authority I&amp;E Account</b>	<b>-30,726</b>	<b>-33,557</b>	<b>-2,831</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	386	-16	
<b>Net cost of HRA Services</b>	<b>-29,239</b>	<b>-32,086</b>	<b>-2,847</b>	
Interest Payable and Similar Charges	12,627	10,501	-2,126	g)
Direct Revenue Financing [Balancing Item on HRA]	16,717	3,818	-12,899	h)
Interest and Investment Income	-105	-112	-7	
<b>[Surplus] / Deficit for the year on HRA services</b>	<b>0</b>	<b>-17,879</b>	<b>-17,879</b>	