

Cabinet

14 March 2018

Forecast of Revenue and Capital Outturn 2017/18 – Period to 31 December 2017



Report of Corporate Management Team John Hewitt, Corporate Director of Resources Councillor Alan Napier, Portfolio Holder for Finance

Purpose of the Report

- 1 To provide Cabinet with information on the:
 - (a) forecast revenue and capital outturn for 2017/18;
 - (b) forecast for the Council's Council Tax and Business Rates Collection Fund position at 31 March 2018;
 - (c) use of earmarked, cash limit and general reserves.
- 2 To seek approval of the budget adjustments and proposed sums outside of the cash limit.

Background

- 3 In accordance with the Council's Constitution, Council agreed the Medium Term Financial Plan, which incorporates the revenue and capital budgets for 2017/18, on 22 February 2017.
- 4 The Constitution also states that the Chief Finance Officer must report to Cabinet on the overall Council budget monitoring position on a quarterly basis.
- 5 This report provides an updated forecast of the revenue and capital outturn for 2017/18, based upon expenditure and income up to 31 December 2017.

Revenue Outturn Forecast – Based on Position to 31 December 2017

- 6 The table overleaf compares the forecast of outturn with the revised budget. Further detail is provided in Appendices 2 and 3.
- 7 The following adjustments have been made to the original budget agreed by Council on 22 February 2017:
 - (a) agreed budget transfers between Service Groupings;
 - (b) additions to budget for items outside the cash limit (for Cabinet consideration and recommended approval);

- (c) planned use of or contribution to Earmarked Reserves (please refer to Appendix 4).

Forecast of Revenue Outturn 2017/18

	Original Budget 2017/18	Budget - incorporating adjustments	Service Groupings Forecast of Outturn	Forecasted Variance
	£'000	£'000	£'000	£'000
Adult and Health Services	151,581	132,942	130,185	-2,757
Children and Young People's Services	98,963	113,273	117,054	3,781
Regeneration and Local Services	126,024	129,444	128,566	-878
Resources	16,628	19,308	18,362	-946
Transformation and Partnerships	8,716	11,918	12,201	283
Cash Limit Position	401,912	406,885	406,368	-517
Contingencies	5,422	720	720	0
Corporate Costs	3,990	3,985	3,766	-219
NET COST OF SERVICES	411,324	411,590	410,854	-736
Capital charges	-57,113	-57,113	-57,113	0
Interest and Investment income	-1,700	-1,700	-3,308	-1,608
Interest payable and similar charges	38,108	39,812	39,562	-250
Levies	15,979	15,979	15,979	0
Net Expenditure	406,598	408,568	405,974	-2,594
Funded By:				
Council tax	-195,706	-195,706	-195,706	0
Use of earmarked reserves	-18,185	-19,142	-19,142	0
Estimated net surplus on Collection Fund	-3,000	-3,000	-3,000	0
Start up Funding Assessment	-172,364	-172,364	-172,364	0
New Homes Bonus	-8,882	-8,882	-8,883	-1
New Homes Bonus - Re-imburement	-267	-267	-283	-16
Section 31 Grant	-5,875	-5,875	-6,738	-863
Education Services Grant	-1,500	-1,500	-1,516	-16
Forecast contribution to/from(-) Cash Limit Reserve	-819	168	685	517
Forecast contribution to/from (-) General Reserves	0	-2,000	973	2,973
TOTAL	0	0	0	0

Note: Negative figures in the variance column represent an underspend or overachievement of income

- 8 The table on the previous page identifies a forecast cash limit underspend of £0.517 million and a forecast net underspend / overachievement of core government grant on all other budgets of £2.973 million, totalling £3.490 million. This represents 0.7% of the net expenditure budget of £408.6 million.
- 9 Approval is being sought for the following sums to be funded from, or transferred to general contingencies. These sums are deemed to be outside of service grouping cash limits.

Service Grouping	Proposal	Amount
		£ million
Children and Young People's Services	Cost of schools' redundancies	0.543
Regeneration and Local Services	Business Durham Institute – University Decant and Return	-0.075
Regeneration and Local Services	Concessionary Fares	-0.147
Resources	Coroner's Service	0.008
Total		0.329

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

Type of Reserve	Opening Balance as at 1 April 2017	Budgeted use at 1 April 2017	Movement during 2017/18		2017/18 Forecast of Outturn
			Planned contribution to (-) or use of reserve	Contribution to (-) or use of reserve	
	£ million	£ million	£ million	£ million	£ million
Service Grouping Cash Limit					
Adult and Health Services	-5.512	0.000	-0.075	-2.757	-8.344
Children and Young People's Services	-3.309	0.819	-1.819	3.781	-0.528
Regeneration and Local Services	-6.231	0.000	1.149	-0.878	-5.960
Resources	-1.023	0.000	0.128	-0.946	-1.841
Transformation and Partnerships	-0.179	0.000	-0.370	0.283	-0.266
Total Cash Limit Reserve	-16.254	0.819	-0.987	-0.517	-16.939
General Reserve	-23.004	0.000	2.000	-2.973	-23.977

- 11 The forecasted Cash Limit and General Reserves position is a prudent one given the forecasted levels of savings the Council needs to make of £43.5 million over the period 2018/19 to 2021/22 with the delivery of further savings becoming ever more challenging to achieve.
- 12 The reasons for the major variances against the revised budgets are detailed below by each service grouping.

Adult and Health Services (AHS)

- 13 The 2017/18 updated projected outturn for AHS at 31 December 2017 is a cash limit underspend of £2.757 million, representing circa 2.1% of the total budget for AHS. This compares to the quarter 2 forecast of outturn position of a £2.634 million cash limit underspend.
- 14 The projected outturn takes into account adjustments for sums outside the cash limit including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves.
- 15 The outturn is a managed position, reflecting the proactive management of activity by Heads of Service across AHS to remain within the cash limit and to prepare for 2018/19 MTFP savings requirements. The outturn position is accounted for as follows:
 - (a) early achievement of a number of future years' MTFP savings from management and support service proposals across the Adult Care and related areas, together with the careful management and control of vacant posts and supplies and services budgets across the service, particularly in County Durham Care and Support Services, has created a net underspend for the year of £2.250 million;
 - (b) net spend on adult care packages is £0.408 million under budget. This area of spend is being closely monitored to assess the impact of demographic and procedural/operational changes, where significant MTFP savings have been taken over recent years. Within the adult care budgets there are overspends of £0.887 million on Learning Disability / Mental Health Services, offset by underspends on Older People Services of £1.295 million. A review of Learning Disabilities commissioning processes is currently underway to help to identify further opportunities to maximise value for money and reduce the overspending in this area;
 - (c) net expenditure in respect of Environment, Health and Consumer Protection (EHCP) services, is £99,000 under budget, resulting mainly from early achievement of future years' MTFP savings. A £0.150 million contribution to capital in respect of planned ICT system upgrade costs has been factored into the outturn projection;
 - (d) net expenditure on Public Health-related activity is in line with grant allocations.
- 16 In arriving at the forecast outturn position, a net £2.848 million relating to contributions to reserves has been excluded from the outturn. The major items being a contribution to the social care reserve (£2.766 million), use of the Council's MTFP Redundancy Reserve (£0.178 million), and a net contribution to the Public Health Reserve (£0.193 million).
- 17 Additional funds of £3.593 million have been assigned from contingencies in respect of backdated residential and nursing care fees due to be paid to independent sector providers for 2016/17 and 2017/18, following the completion of fee negotiations as part of the new contract.
- 18 Taking the projected outturn position into account, including the transfer to/from reserves in year, the estimated cash limit reserve to be carried forward for AHS is forecast to be £8.344 million.

Children and Young People's Services (CYPS)

- 19 The updated projected outturn position for CYPS, based on the position to 31 December 2017, is a cash limit overspend of £3.781 million for 2017/18. This represents a 3.6% overspend against the total budget for CYPS and compares to the previously forecast position at quarter 2 of a £3.911 million overspend.
- 20 The projected outturn takes into account adjustments for sums outside the cash limit including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. The outturn position is accounted for as follows:
- (a) Children's Services are forecasting a net overspend of £5.376 million. This is primarily related to costs associated with placements, both those who have a legal status of looked after and those young people in permanent placements that are financially supported by the Council.
- Young people looked after is a volatile and high cost area of activity and current external demographic demands are creating a strain on the service in terms of financial resource allocation. Work is actively being taken to try to address the placement mix, focusing on increasing the proportion of placements in high quality/ low cost in-house foster care by increasing the number of in-house fostering placements. The current Looked After Children (LAC) numbers and mix of placements when combined with non-LAC permanent placements is leading to an overspend of circa £4.91 million;
- (b) Education Services and Operational Support are forecasting a net underspend of £1.595 million. This underspend relates to the early achievement of MTFP savings, staff vacancies, reduced pension liabilities in year, a reduction in the previously forecast overspend on Home to School Transport expenditure, which was previously forecast to overspend by c£0.25 million, and one-off over recovery of income.
- 21 Whilst it was anticipated that LAC numbers and costs would have stabilised in the current year and that the budget would meet demand, having built c£2.735 million growth into the 2017/18 base, it is evident in the short term further additional financial support is required.
- 22 On 21 February 2018 Council agreed the 2018/19 budget as part of Medium Term Financial Plan (MTFP(8)) 2018/19 to 2021/22. Budget growth of £4.993 million has been built into the CYPS budgets in 2018/19 to allow numbers of LAC to stabilise and to facilitate the timing issues linked to adjusting the placement mix to reduce future years' costs.
- 23 The additional £4.993 million provided in 2018/19 is offset by forecasts of reductions in LAC related costs in later years of circa £0.5 million in 2019/20 and again in 2020/21. This position will be reviewed as part of MTFP(9), with careful tracking of LAC numbers and placement mix across the coming year. This will inform whether it is financially sustainable to reduce this budget area in future years following the implementation of CYPS LAC placement efficiency plans.

- 24 Taking the projected outturn position into account, including the transfer to/from reserves in year, the estimated cash limit reserve to be carried forward for CYPs is forecast to be £0.528 million at the year end.

Regeneration and Local Services (REAL)

- 25 The updated forecast revenue outturn for 2017/18 is a cash limit underspend of £0.878 million, based on the position to 31 December 2017, after taking account of the forecast use of reserves and items outside the cash limit. This compares to the previous forecast underspend for 2017/18 of £0.983 million based on the position as at the end of 30 September 2017.
- 26 The forecast underspend reflects the proactive management of activity by Heads of Service across Regeneration and Local Services to remain within the cash limit. The main reasons accounting for the outturn position are as follows:
- (a) Direct Services is forecast to be £62,000 underspent to the year end. This is the net effect of early achievement of 2018/19 MTFP savings (£1.080 million) offset by an overspend of £0.590 million on waste disposal contracts, and one off contributions to capital expenditure of £0.430 million relating to Refuse and Recycling;
 - (b) Culture and Sport is forecast to overspend by £0.342 million, mainly due to; an overspend on Events and the Gala Theatre (£0.400 million), an overspend on Leisure Centres (£0.140 million), offset by savings on Libraries (£0.163 million), and staff vacancies (£40,000);
 - (c) Technical Services is predicted to be £22,000 underspent. Within this budget area there is an overspend of £1.3 million within Highway Services, due to additional policy led expenditure on highways maintenance, mainly in relation to Category 1 and 2 defects and footway maintenance. This overspend is however broadly offset by additional surpluses generated within Design Services (£0.400 million), and additional surpluses within Trading activities (£0.928 million).
 - (d) Business Support is forecast to be £0.143 million underspent due to savings on vacant posts and reductions in hours.
 - (e) Transport is forecast to be £0.101 million overspent, mainly due to additional costs of traffic management (£0.190 million), and increased premises costs relating to car parks and bus shelters (£70,000) that are offset by an underspend on bus and rail contracts (£0.140 million);
 - (f) Planning and Assets is predicted to be £0.661 million underspent, accounted for by increased planning fee income (£0.300 million), increased income from the asset disposal programme (£0.210 million) and savings from vacant posts and supplies (£0.150 million) across this service;
 - (g) Economic Development and Housing is predicted to be underspent by £0.207 million. Savings of approximately £0.404 million in Housing Solutions, Business Durham and Visit County Durham are partially offset by overspends in Economic Development associated with the Employability and Skills team (£0.187 million).

- 27 In arriving at the forecast outturn position, £0.339 million relating to contributions to and from reserves and cash limits have been excluded from the outturn. The major items being:
- (a) a £0.271 million draw down from the MTFP redundancy reserve;
 - (b) a net use of earmarked reserves of £0.193 million in respect of Repairs and Maintenance, Community Safety projects, Transport and Culture and Sport;
 - (c) a £43,000 draw down from the Winter Maintenance reserve;
 - (d) a £0.570 million contribution to reserves relating to Economic Development;
 - (e) a £89,000 contribution to reserves relating to Planning;
- 28 £0.222 million that had previously been treated as outside the cash limit relating to Transport (£0.147 million), and Economic Development (£75,000 million) is no longer required and this has been returned to contingencies.
- 29 Taking the projected outturn position into account, including items proposed to be treated as outside the cash limit, the forecasted cash limit reserve to be carried forward for Regeneration and Local Services is £5.960 million.

Resources

- 30 The 2017/18 updated forecast revenue outturn for Resources is a cash limit underspend of £0.946 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves and use of / contributions to earmarked reserves. The cash limit underspend forecast at quarter 2 was £0.759 million.
- 31 The Heads of Service across Resources continue to proactively manage activity to remain within the cash limit. The projected underbudget position is the net effect of the following items:
- (a) Corporate Finance and Commercial Services is forecast to be underbudget by £0.143 million, relating mainly to managed underspending in Occupational Health (£50,000) and against employees in Procurement (£48,000) and Health and Safety (£47,000) in advance of MTFP savings requirements in 2018/19.
 - (b) Finance and Transactional Services is forecast to be underbudget by £0.386 million, consisting of a managed position on vacancies in relation to the early achievement on 2018/19 MTFP savings and additional Financial Management SLA income (£88,000), offset in part by other minor variances.

- (c) Digital and Customer Services is forecasting to be underbudget by £0.151 million, consisting of an underspend on supplies and services (£0.150 million) in ICT Services and (£47,000) in Customer Services and on employee related expenditure (£0.216 million) in Customer Services and (£83,000) in ICT Services. This has been offset by funding two ICT capital schemes from revenue contributions in 2017/18 (£0.335 million) and a net reduction in income (£22,000) due to withdrawal from Service Level Agreements by a number of schools and also County Durham Housing Group. Additional (one-off) income from NEWCO in respect of telecoms has largely offset this shortfall in income in the current year.
- (d) Internal Audit, Risk and Corporate Fraud is forecast to be underbudget by £32,000, comprising a managed underspend of £20,000 on employees in Corporate Fraud, linked to the early achievement of MTFP savings for 2018/19, and an overachievement of income of £12,000.
- (e) Legal and Democratic Services is forecast to be underbudget by £0.228 million, which includes a £33,000 managed underspend on employees and £35,000 on supplies and services. There is a net over recovery of income (£88,000) after taking into account a reduction in Land Charges income (£0.137 million). This has been possible due to the receipt of (one-off) income from County Durham Housing Group (£51,000) and additional Government Grants. There are also a number of other minor variances in this service area.
- (f) Service Management is forecasting a minor £2,000 overbudget position, which is a minor variance against supplies and services. Central costs are forecast to be underbudget by £12,000.

32 The forecast cash limit outturn shows the position after some £26,000 of net contributions from reserves and cash limits have been applied to finance the following items:

- (a) £8,000 from contingencies to adjust the surplus from the Coroners Service budget;
- (b) £0.418 million from the Corporate MTFP Reserve to fund the cost of early retirements/voluntary redundancies;
- (c) £0.250 million to the ICT Reserve to finance ICT developments and additional costs of software licences;
- (d) £0.300 million contribution to the Revenues and Benefits Reserve to fund the reprocurement of the corporate software;
- (e) £47,000 from the Cash Limit Reserve to fund new software licences following the operating system upgrade required for release 20 of ResourceLink;
- (f) £34,000 from the Elections Reserve to fund County Council and Parliamentary elections;

- (g) £69,000 from the Welfare Rights Reserve to meet the costs of the Welfare Rights Service, which continues to be challenged by the ongoing impact of welfare reforms.

33 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 forecast to be £1.841 million.

Transformation and Partnerships (T&P)

34 The forecast revenue outturn for 2017/18 is a cash limit overspend £0.283 million for the year after taking account of the forecast use of reserves and items outside the cash limit. The cash limit overspend forecast at quarter 2 was £0.295 million.

35 The main reasons for the projected overspend are as follows:

- (a) The previously planned restructure of the former Assistant Chief Executives service grouping has been delayed following the unitisation of services into T&P. A larger restructure, incorporating both the 2017/18 and 2018/19 savings targets is now planned across the new T&P service grouping. This has resulted in a delay in achieving £0.379 million of the 2017/18 MTFP savings. The net overspend as a result of the savings delay is being covered by the use of managed underspends and the T&P cash limit reserve;
- (b) Partnerships and Community Engagement are forecast to be £0.156 million overbudget, primarily due to a managed overspend on employee costs;
- (c) Strategy is forecast to be £0.103 million underbudget, primarily due to a managed underspend on employee and supplies and services costs;
- (d) Communications and Information Management are forecast to be £0.112 million underbudget, primarily due to a managed underspend on employee related costs;
- (e) Transformation is forecast to be £37,000 underbudget as a result of a managed underspend on employee related costs.

36 In arriving at the forecast cash limit outturn position £11,683 relating to a net contribution from reserves and cash limits have been excluded from the outturn. These are :

- (a) £0.194 million from reserves in respect of early retirement / voluntary redundancy costs associated with MTFP savings;
- (b) £0.139 million contribution to reserves in respect of the remaining Youth Work Support Grant funding to be used by the Area Action Partnerships to support services for young people;
- (c) £43,500 contribution to the Cash Limit Reserve in respect of the Local Safeguarding Adults Board.

- 37 Taking the projected outturn position into account, including items proposed to be treated as outside the cash limit and a transfer of £7,279 from the Regeneration and Local Services cash limit reserve, the total cash limit reserve forecasted to be carried forward for T&P at 31 March 2018 is £0.266 million.

Corporate Costs / Contingencies

- 38 The forecast revenue outturn for 2017/18 for Resources – Centrally Administered Costs is a cash limit underspend of £0.219 million. This takes into account adjustments for sums outside the cash limit such as the use of / contribution to earmarked reserves and compares with the previously forecast position of a £0.271 million underspend at quarter 2.
- 39 The forecast outturn position is accounted for by a net underbudget position on corporate subscriptions (£0.140 million), expenses associated with raising loans (£26,000), de-minimis capital receipts (£50,000); external audit fees (£17,000); payment card fees (£46,000); employees (£43,000) and additional expenditure on professional fees (£5,000). A contribution of £0.110 million was made to the Welfare Assistance Reserve in respect of the welfare reform agenda. MTFP savings are factored into these budget heads for 2018/19.
- 40 The Council has previously made a claim for overpaid output VAT to HMRC in respect of leisure income dating back to November 2010. The claim relates to all leisure services provided at leisure facilities operated by the Council since that date and is being made on the basis that leisure activity is a business activity which is now deemed to be exempt from VAT. To date the Council has been accounting for standard rated VAT on income received from its leisure facilities; the claim being made is to recover this amount of VAT paid to HMRC, plus interest.
- 41 HMRC has indicated that the claim is accepted but at this stage the timing and amount of the payment expected from HMRC is unknown. Any estimate of the sum to be recovered has not been included within this forecast of outturn due to the uncertainties at this stage.

Central Budgets

Interest Payable and Similar Charges - Capital Financing

- 42 Following a review of capital financing costs relating to re-profiling and forecast interest rates, there is a forecast underspend of £0.250 million.

Interest and Investment Income

- 43 The forecast at this stage is an overachievement of income of £1.608 million which is mainly due to higher than forecast level of returns on loan investments and council commercial activities. This includes a one-off dividend contribution of £0.868 million due from the equity shareholding in Newcastle International Airport. A higher target for this income budget has been included in MTFP(8).

Council Earmarked Reserves Forecast

- 44 Earmarked reserves are funds set aside for specific, known or predicted future expenditure. Appendix 4 details the Council and school earmarked reserves showing the opening balance at 1 April 2017, the forecast movement on reserves during the year and the forecast closing balance as at 31 March 2018.
- 45 A summary of the latest forecast of Council reserves (excluding school reserves) is shown below. The summary highlights that the total earmarked and cash limit reserves are forecast to reduce by £10.130 million in 2017/18, from £202.549 million to £192.419 million. This compares with a quarter 2 forecast of a reduction in reserves of £13.396 million. The movement in earmarked reserves is explained in the service grouping commentaries. This utilisation is to be expected as these funds are applied to the expenditure for which they were earmarked.

	Earmarked	Cash Limit	TOTAL
	£ million	£ million	£ million
Opening Earmarked Balances as at 1 April 2017	-186.295	-16.254	-202.549
Adjusted for forecasted increase (-) / use of Earmarked Reserves	10.815	-0.685	10.130
Forecasted Earmarked Reserve Balances as at 31 March 2018	-175.480	-16.939	-192.419

Schools

- 46 Maintained schools have delegated budgets and carry forward accumulated surpluses and deficits from one year to the next. At the end of quarter 2, the forecast balances at 31 March 2018 were for an overall net surplus balance £10.559 million to be carried forward to 2018/19.
- 47 Since quarter 2, schools have completed their mid-year budget reviews, with advice and support from the Schools Finance Team, Resources. Based on these reviews many schools have adjusted their forecasts and the forecast overall net surplus balance to be carried forward has now increased to £12.553 million.
- 48 A breakdown of the quarter 3 forecasts is shown below. The significance of balances above or below 2.5% of funding is that the Council views a balance of at least 2.5% as being appropriate in terms of the ability of schools to cope with unforeseen expenditure during the year.

	Schools forecasting a surplus balance above 2.5% of annual funding		Schools forecasting a surplus balance of less than 2.5% of annual funding		Schools forecasting a deficit balance		Total	
	No.	Forecast Balances £ million	No.	Forecast Balances £ million	No.	Forecast Balances £ million	No.	Forecast Balances £ million
Nursery	10	0.483	-	-	1	-0.010	11	0.473
Alternative Prov	-	-	1	-	-	-	1	-
Primary	162	12.627	31	0.310	6	-0.171	199	12.766
Secondary	5	1.733	6	0.993	4	-5.056	15	-2.330
Special	7	1.539	2	0.105	-	-	9	1.644
Total	184	16.382	40	1.408	11	-5.237	235	12.553

- 49 At quarter 2, eight schools were forecasting that they would have a deficit balance carried forward at 31 March 2018, totalling an estimated £5.106 million, one of which has now converted to an academy. The current position is that 11 schools are forecasting deficits totalling £5.237 million.
- 50 In setting the 2017/18 budgets 6 schools had been given permission to set deficit budgets by the Corporate Director of Resources:
- (a) The Sacriston Primary was due to convert to an academy in September and did convert. The deficit balance at the point of conversion was £36,000 and this has been charged to the earmarked reserve that was established to offset these costs;
 - (b) Aclet Close Nursery was planning on undertaking a re-structuring in the autumn to allow it to balance its budget. The school is still forecasting a deficit at the end of this year, but is planning to be in surplus by the end of 2018/19;
 - (c) Peterlee St Bede's was expected to progress discussions to join a Multi-Academy Trust in the year, but has not done so. The updated forecasts show that it will not have a deficit balance carried forward at 31 March, despite a significant in-year deficit in terms of its spending commitments vs its in year funding. This school is in significant financial difficulties and discussions are ongoing with the leadership of the school and the Diocese in terms of a long term solution to these issues as the forecasts for future years show that the school will not be able to balance its budgets and will accrue significant deficits which will accumulate in future years; and
 - (d) The Council was taking steps to address longer-term issues with the remaining three schools (Tanfield, Wolsingham and Wellfield secondary schools). Wellfield has seen an increase in pupil numbers and funding (an increase of 16 pupils and £0.410 million) and will be expected to set a balanced in-year budget for 2018/19. As part of the Review of Schools Provision, longer term solutions with regards to the financial position in terms of the accumulated deficit built up by Wellfield are being considered. Tanfield is expected to bring its budget back into balance over the next two to three years and solutions for the ongoing financial difficulties within Wolsingham are being developed as part of the Review of Schools Provision.
- 51 The other six schools with deficits are all either confident of clearing their deficit by the end of 2018/19 or are working towards doing so and will be confirming their position at budget-setting.
- 52 The Schools Finance Team, Resources continues to work with schools to support and provide advice about budget issues, and is currently reviewing budgets in preparation for budget-setting in spring 2018. Where there are concerns about a school's financial viability this is shared with the Education Service so that there is a joined-up approach to resolving these issues.
- 53 In recent years there has been a significant variation between the forecast outturn at quarter 3 that the school has forecast and the final outturn, usually around 35-40% of the quarter 3 forecast, representing around 2% of the original budget gross expenditure:

	Quarter 3 forecast of end-of-year balances £ million	Outturn balances £ million	Difference £ million	Difference as a % of Quarter 3 forecast	Original budget gross expenditure £ million	Difference as a % of original budget gross expenditure
2017/18	12.419	N/A	N/A	N/A	303.944	N/A
2016/17	13.793	19.432	5.639	40.9%	319.840	1.8%
2015/16	17.562	23.880	6.318	36.0%	317.678	2.0%
2014/15	17.672	24.098	6.426	36.4%	305.683	2.1%

54 If this pattern was to be repeated in 2017/18 the potential variation in terms of the outturn for 2017/18 would in the region of £4.5-6.0 million. There are a number of factors that contribute to the historic pattern of actual year end balances exceeding those forecast at quarter 3:

- (a) The mid-year budget reviews, which produce the forecasts that are included in the quarter 3 updates take place throughout the autumn term, starting in early September. The timing of reviews is dependent upon the date of the autumn term governing body meeting and can take place any time from early September to early December, meaning that some take place nearly six months before the end of the financial year;
- (b) The reviews look at the forecast outturn position, but also at the forecast budget for the coming financial year, so that schools can begin staff restructuring exercises as soon as possible where it is clear that the school will need to make savings in order to balance its budget for the coming year. Schools which need to make savings and those whose budget is marginal are prioritised for support over the remainder of the year. Where schools are forecast to be comfortably able to balance their budget for the coming year, (i.e. with a substantial balance to carry forward), then the forecast is unlikely to be reviewed until budget setting in the spring-term, unless spending patterns indicate that the school is getting into financial difficulties;
- (c) Schools may not have made final decisions about spending plans at the time of the review; those most likely to do so are those whose financial position is marginal and are forecast to be in deficit, either at the end of the current year or the following year. For other schools, where spending to date is significantly lower than the budgeted amount or historic spending patterns suggest that a budget line will be substantially underspent, they are challenged by finance support staff assisting in the review about whether the budget should be changed, but the final decision as to whether a change is instigated rests with the school.

Capital

Background

- 55 On 12 July 2017 Cabinet received a report which provided details of the final outturn position of the 2016/17 Capital Programme. This included details of budgets of £15.375 million that were reprofiled from 2016/17 to 2017/18. Adding these to the new 2017/18 capital allocations approved by Council on 22 February 2017 and the existing 2017/18 budget gives the original budget for 2017/18 that is shown in the table below.
- 56 The Council's Member Officer Working Group (MOWG) that closely monitors the capital programme has since considered further revisions to the capital programme, taking into account additional resources received by the Council and further requests for reprofiling as Service Management Teams continue to monitor and review their capital schemes.

Current Position

- 57 The following table summarises the latest capital budget alongside the original budget. The table also shows the forecast outturn for each service and the actual capital spend as at 31 December 2017.

Service Grouping	Original Budget 2017/18 as at May MOWG £ million	Revised Budget 2017/18 Quarter 2 £ million	Amendments recommended by MOWG £ million	Revised Budget 2017/18 Quarter 3 £ million	Projected Outturn 2017/18 £ million	Actual Spend to 31 December 2017 £ million
Adult and Health Services	318	0.320	0.006	0.326	0.326	0.094
Children and Young People's Services	28,765	28.988	-9.163	19.825	19.825	11.318
Regeneration and Local Services	84,257	88.789	-7.545	81.244	81.244	51.230
Resources	16,228	18.118	-11.810	6.308	6.308	4.404
Transformation and Partnerships	4,149	4.510	-0.830	3.680	3.680	1.307
Total	133,717	140.725	-29.342	111.383	111.383	68.352

- 58 Further to the revised quarter 2 2017/18 budget that was agreed by Cabinet on 15 November 2017 the MOWG has considered a number of variations to the capital programme which are a result of additions and reductions in resources received by the Council. The variations of note are as follows:

Additions

- (a) **REAL - Culture and Sport** – a budget increase of £0.477 million is proposed for the scheme to refurbish Bishop Auckland Town Hall. Of the total some £0.274 million will be funded from REAL reserves and the balance of £0.203 million will be self-financed from an annual contribution of £13,000 from the REAL revenue budget.
- (b) **REAL - Economic Development and Housing** - budget increases totalling £4.094 million are required for two schemes. In the autumn budget the Chancellor announced that additional funds of £42 million would be made available to fund the DFG costs of English authorities. The Council has been informed that its share of this allocation is £0.464 million and has written to the DCLG to accept the offer of additional funds.

In another scheme the Council is providing a short term repayable loan of £3.630 million to facilitate the completion of an office development at Durhamgate North in Spennymoor. The site contains partly completed office units following the insolvency of the previous developer ten years ago. The development will complement the existing Durhamgate development and there is potential for up to 500 jobs to be created at 10 office units. The loan will fund construction costs that are expected to be £0.900 million in 2017/18 and £2.730 million in 2018/19. The developer plans to refinance on completion of the development to repay the Council loan. Security across the land and development has been taken to reduce any risk associated with non repayment of the loan.

- (c) **Resources** – the budget has increased by £0.507 million for four projects. This includes £0.288 million for two ICT schemes - £0.240 million to improve schools internet security through new a web filtering system (funded from the Dedicated Schools Grant Reserve) and £48,000 towards the project to replace the Children's Services information system with the Servelec Synergy package. The Servelec Synergy scheme will generate revenue savings and is being funded from the ICT Trading Reserve. A budget increase of £89,000 for the upgrade of the Human Resources/Payroll System will be funded from the Resources Cash Limit Reserve. During the implementation of the Civica Pension system new modules that will improve the efficiency and functionality of the pension service have become available. The £0.130 million costs of implementing these modules will be initially met from the Council's revenue budget then recharged to the Pension Fund.

59 Budget managers continue to challenge and review the programming and phasing of works, which has resulted in the re-profiling of the following budgets in line with anticipated activity in 2017/18:

- (a) **CYPS** - The service has reviewed its budget and proposes the net reprofiling of £9.183 million from 2017/18 to 2018/19, of which £3.113 million relates to Building Schools for the Future (BSF) schemes, £1.242 million to work at Durham Sixth Form College, £0.563 million to unprogrammed Schools Capital Grant works and £0.510 million to the unprogrammed budget for schools devolved capital.

- (b) **REAL – Culture and Sport** - of the £1.748 million that is proposed for reprofiling the majority relates to the Peterlee Library/Leisure Centre co-location project (£1.026 million) and the Bishop Auckland Town Hall refurbishment project (£0.347 million).
- (c) **REAL – Direct Services** - budgets of £3.237 million have been reprofiled to later years. The start to the replacement Household Waste Recycling Centre at Stainton Grove has been delayed and accounts for £1 million of this. Other Strategic Waste Management schemes that have been subject to delay are the Joint Stocks Landfill Site Capping Works (£0.735 million, through a shortfall in availability of third party soil that is required for the works), Leachate Treatment at Coxhoe East Landfill (£0.500 million, where legal and procurement issues have arisen) and Leachate Control and Management at Chapmans Well Landfill (£0.180 million, as delays in Environment Agency agreement to the design mean procurement and construction windows for 2017/18 have been missed).
- (d) **REAL – Economic Development and Housing** - following a review of 2017/18 budgets it is proposed that £4.747 million is reprofiled into later years. The most significant is some £2.730 million of spend on the Durhamgate North office scheme which will be incurred in 2018/19, so needs to be reprofiled. Another significant amount (£0.774 million) concerns the remodelling of the Strategic Office Site at Green Lane Spennymoor, where work is now programmed to follow on from the completion of work at Crook Civic Centre.
- (e) **REAL- Planning and Assets** – net budgets totalling £1.509 million have been identified as requiring reprofiling, with the most significant being the demolitions at Aycliffe Young Peoples Centre (£0.664 million) and Wolsingham School and Community College (£0.487 million). In both cases bat presence on site has caused demolitions to be delayed. The net change includes £0.500 million brought forward from 2018/19 for the power and junction works at Forrest Park.
- (f) **REAL – Technical Services** - The service has reviewed its budget and reprofiled budget of £0.748 million into later years. This includes £0.208 million for the Street Lighting Energy Reduction Programme, £0.136 million for AAP-related traffic schemes and £0.131 million for Traffic and Community Engagement Schemes.
- (g) **Resources** – reprofiling totalling £12.317 million has been identified of which £10.031 million relates to the Digital Durham programme, to enable the development of the scheme from 2018/19.
- (h) **T&P** – there has been a reprofiling of budget of £0.803 million into 2018/19 to reflect the revised development expected for seven community building schemes.

Capital Financing

- 60 The following table summarises the recommended financing of the revised Capital Programme:

Financed By:	Original Budget 2017/18 £ million	Revised Budget 2017/18 - Quarter 2 £ million	Amendments recommended by MOWG £ million	Revised Budget 2017/18 - Quarter 3 £ million
Grants and Contributions	53.135	55.610	-1.913	53.697
Revenue and Reserves	3.000	4.241	1.079	5.320
Capital Receipts	17.700	17.832	-0.241	17.591
Borrowing	59.882	63.042	-28.267	34.775
Total	133.717	140.725	-29.342	111.383

Council Tax and Business Rates Collection Funds

Council Tax

- 61 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.
- 62 The collection rate at 31 December 2017 was marginally below the profiled target of 84.82%, but is broadly in line with last year, being just 0.06 percentage points below the same position in 2016/17.
- 63 The in-year collection rates to the end of quarter three for the last three years, including the current year, are shown below:

Billing Year	Position at 31 December Each Year %
2017/18	84.70
2016/17	84.76
2015/16	84.47

- 64 The current overall collection rate for 2016/17 council tax liabilities is now 98.02% (compared to 96.69% at 31 March 2017), and for 2015/16 the rate is now 98.60% (compared to 96.32% at 31 March 2016). The Council continues to recover Council Tax from earlier years, and currently the collection rate for all years excluding the current year is 99.60% which is in line with our medium term financial plan forecasts.
- 65 The income shown in the Council Tax Collection Fund is the amount collectable from Council Tax payers over the long term, 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 tax base for all domestic properties in the county (schedule of all properties, discounts and reliefs) with an allowance for non-collection.

- 66 In November, Cabinet approved the tax base for 2018/19 and in doing so reduced the provision for non-payment, from 1.5% to a prudent 1.0%. This increases the council tax base from 2018/19, generating c£1 million of additional Council tax income within MTFP(8) and reducing the likelihood of Collection Fund surpluses being generated in future years.
- 67 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 result in the actual amounts collected always being different to the estimate.
- 68 Such differences at the end of each accounting year, after taking into account the calculated change required in the 'bad debt' provision, determine whether a surplus or deficit has arisen, which is then shared proportionately between the Council and its major preceptors, being Durham Police, Crime and Victims' Commissioner and County Durham and Darlington Fire and Rescue Authority.
- 69 At 31 December 2017, the estimated outturn for the Council Tax Collection Fund is a surplus of £5.712 million as shown in the following table, which takes into account the undeclared surplus as at 31 March 2017. This compares with a previously forecast position of a £5.483 million surplus based on the position to 30 September 2017, which was used for budget setting. Durham County Council's share of this updated forecasted surplus is £4.820 million, £4.727 million of which has been utilised to support the 2018/19 budget.

	£ million
Net Bills issued during Accounting Year 2017/18	303.350
LCTRS and previous years CTB adjustments	-53.139
Calculated change in provision for bad debts required and write offs	-3.197
Net income receivable (a)	247.014
Precepts and Demands	
Durham County Council	195.707
Parish and Town Councils	11.851
Durham Police, Crime and Victims' Commissioner	22.952
County Durham and Darlington Fire and Rescue Authority	13.243
Total Precepts and Demands (b)	243.753
Net Surplus / (-) Deficit for year (a) – (b)	3.261
Undeclared Surplus Brought Forward from 2016/17	2.451
Estimated Year end surplus	5.712

- 70 By 15 January each year, the estimated surplus/deficit on the Collection Fund Council Tax Account is notified to the two major preceptors for inclusion in the budget setting process for the following year as an additional income or expenditure item.
- 71 An estimated year end position on the Council Tax Collection Fund for 2017/18 was declared in the Tax Base Setting report to Cabinet in November 2017 and taken into account in the budget setting process for 2018/19. Any difference between this and the actual surplus at 31 March 2018 and the figures used in the 2018/19 budget setting process will be carried forward and taken into account in estimating the surplus/deficit for 2018/19, which will need to be taken into account for 2019/20 budget setting.
- 72 Over the past four 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 moving into deficit whilst securing the robustness of the levels of provision held. The position has now been reached where maintaining the provision at a prudent level does not prevent the declaration of a surplus. This has been largely offset by reducing the provision for non-payment in the Council Tax Base setting process from 1.5% to 1.0% from 2018/19 onwards.

Business Rates

- 73 2013/14 was the first year of the new Business Rates Retention Scheme whereby the Council has a 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%). 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.
- 74 In 2017/18, following consultation, the Government implemented the first revaluation of Business Rates since April 2010.
- 75 The revaluation of the rateable values of all Business Properties was undertaken by the Valuation Office Agency, part of HM Revenues and Customs, and, along with national changes to Multipliers, Relief Thresholds and Transitional Arrangements came into effect from April 2017. The overall effect of the revaluation on the Collection Fund saw a decrease of an estimated £9.3 million in rates yield / liability when compared to 2016/17. The revaluation should be cost neutral to Durham County Council and County Durham and Darlington Fire and Rescue Authority, therefore compensation arrangements are to be made through adjustments to Section 31 grants and Top Ups for their shares of losses of income.

- 76 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 2017 estimate of 2017/18 Business Rates income that was used for budget setting purposes. At 31 December 2017, the estimated outturn for the Collection Fund Business Rates is a surplus of £6.179 million, as shown in the following table, which takes into account the undeclared surplus as at 31 March 2017 and compares to the previously forecast position of a £5.876 million surplus based on the position to 30 September 2017.

	£ Million
Net rate yield for 2017/18 including previous year adjustments	107.567
Estimate of changes due to appeals lodged and future appeals	-2.272
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-1.150
Net income receivable (a)	104.145
Agreed allocated shares	
Central Government (50%)	49.646
Durham County Council (49%)	48.653
County Durham and Darlington Fire and Rescue Authority (1%)	0.993
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	0.684
Total fixed payments (b)	99.976
Net surplus for year (a) – (b)	4.160
Undeclared Surplus brought forward from 2016/17	2.010
Estimated year end Surplus	6.179

- 77 The estimated surplus of £6.179 million at 31 March 2018 is made up of the in-year estimated surplus and the undeclared surplus brought forward from 2016/17. 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%. Durham County Council's share of the estimated year end surplus will therefore be £3.028 million.
- 78 The payment profile on collection performance is changing due to more businesses opting to spread their payments over 12 months rather than ten. The major Business Rate Payers have all opted to take up this opportunity to re-profile their cash flow. However, robust collection procedures have enabled the setting of a challenging collection rate target of 83.04% at 31 December 2017, which has been exceeded.

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

Billing Year	Position at 31 December Each Year %
2017/18	83.52
2016/17	83.04
2015/16	82.95

- 80 In year performance to 31 December 2017 shows a collection rate of 83.52%, which is above the target by 0.48 percentage points. The current overall collection rate for 2016/17 business rate liabilities is now 99.02% (compared to 97.40% at 31 March 2017) and for 2015/16 business rate liabilities is now 99.49% (compared to 97.20% at 31 March 2016). The Council continues to recover Business Rates from earlier years and currently, the collection rate for all years excluding the current year is 99.33% which is line with our medium term financial plan forecasts.

Section 31 Grant - Small Business Rate Relief

- 81 Small Business Ratepayers with properties with rateable values under £15,000 will now benefit from relief on their rates payable. 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 have paid had the relief scheme not been in place.
- 82 Small Business Ratepayers with properties with rateable values up to £12,000 are now being granted full relief, and properties with rateable values between £12,000 and £15,000 have a tapered relief applied to them ranging from 100% down to 0%. The Government have made a commitment to refund local authorities for any retained rates foregone due to change of the threshold arrangements following the 2017/18 NNDR Revaluation, and this has been built into the forecast.
- 83 The Government has made a commitment to paying Section 31 grant for any additional Small Business Rate Relief in respect of business rates bills and adjustments thereof relating to the period commencing 1 April 2013. Any adjustments that relate to bills for years prior to this will be dealt with as part of the normal Rate Retention shares. At 31 December 2017, the gross Small Business Relief awarded against 2017/18 Business Rates bills and adjustments to 2016/17, 2015/16, 2014/15 and 2013/14 bills is £14.041 million, and the Council will receive £4.558 million in Section 31 Grant, including the capping adjustment and threshold change adjustments, in this regard.

Other Section 31 Grants

- 84 In the Autumn Statements of 2013, 2014 and 2015, additional Business Rate Reliefs have been announced for each following financial year for which Section 31 Grants would be payable. These included reliefs 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.

- 85 In the Autumn Statement 2016 and the Spring Budget 2017, following consultation on the 2017/18 NNDR revaluation, further additional Business Rate Relief Schemes were announced, on which Section 31 Grants would be payable from April 2017. These further relief schemes included Rural Rate Relief and Local Newspaper Reliefs in the Autumn Statement 2016, followed by Supporting Small Business, Local Discretionary Relief Scheme and Pub Relief in the Spring Budget 2017. Funding for these schemes has been provided through Section 31 grants.
- 86 Despite the delay in Government releasing details of these schemes, Cabinet approved the Council's Local Discretionary Rate Relief Scheme in July and the necessary software amendments have been made to enable all three schemes to be implemented. All businesses who have been identified as being eligible have had the relief applied, with the Local Discretionary Rate Relief Scheme being amended by Cabinet in February 2018 to ensure that the full value of funding available for this scheme is awarded to businesses in County Durham.
- 87 When assessing estimated 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 December 2017, the increase in Durham County Council's Section 31 Grants (including Small Business Rate Relief) was £0.863 million.
- 88 Whilst the increase in Section 31 grants is accounted for in 2017/18, the surplus on Business Rates retention is accounted for in 2018/19.

Recommendations and Reasons

- 89 It is recommended that Cabinet:
- (a) note the Council's overall financial position for 2017/18;
 - (b) agree the proposed 'sums outside the cash limit' for approval;
 - (c) agree the revenue and capital budget adjustments;
 - (d) note the forecast use of Earmarked Reserves;
 - (e) note the forecast end of year position for the Cash Limit and General Reserves;
 - (f) note the position on the Capital Programme and the Collection Funds in respect of Council Tax and Business Rates.

Background Papers

- County Council – 22 February 2017 – Medium Term Financial Plan 2017/18 to 2019/20 and Revenue and Capital Budget 2017/18.
- Cabinet – 12 July 2017 - 2016/17 Final Outturn for General Fund and Collection Fund.
- Cabinet – 13 September 2017 - Forecast of Revenue and Capital Outturn 2017/18 – Period to 30 June 2017.
- Cabinet – 15 November 2017 - Forecast of Revenue and Capital Outturn 2017/18 – Period to 30 September 2017.

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Appendix 1: Implications

Finance -

The report details the 2017/18 forecast of outturn position for Revenue and Capital and details the forecast movement on Reserves.

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 the Service Management Teams and budget holders. The projected outturn has been produced taking into consideration spend to date, trend data and market intelligence, and includes an element of prudence. This, together with the information supplied by Service Management Teams and budget holders, helps to mitigate the risks associated with achievement of the forecast outturn position.

Equality and Diversity / Public Sector Equality Duty -

None

Accommodation -

None

Crime and Disorder -

None

Human Rights -

None

Consultation -

None

Procurement -

None

Disability Issues -

None

Legal Implications -

The consideration of regular budgetary control reports is a key component of the Council's Corporate and Financial Governance arrangements. This report shows the forecast spend against budgets agreed by Council in February 2017 in relation to the 2017/18 financial year. The forecasts contained within this report have been prepared in accordance with standard accounting policies and procedures.

Appendix 3: Revenue Summary by Expenditure / Income for the period ended 31 March 2018

	Original Budget 2017/18	Revised Budget	Proposed Budget Revisions	Agreed Budget	Service Groupings Forecast of Outturn	Corporate Costs	Sums Outside the Cash Limit	Cash Limit Reserve	Contribution to / Use of Earmarked Reserves	Revised Service Outturn	Forecasted Variance (including Corporate Costs)	Forecasted Variance - Corporate Costs
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employees	501,630	527,563	1,303	528,866	522,769	675	-628	23	-635	522,204	-6,662	-43
Premises	51,282	53,159	311	53,470	53,652	0	0	0	-37	53,615	145	0
Transport	41,578	40,985	-442	40,543	40,979	0	0	0	-75	40,904	361	0
Supplies & Services	117,755	122,315	3,176	125,491	125,067	1,149	112	-80	-80	126,168	677	-237
Agency & Contracted	321,720	322,402	4,851	327,253	340,177	2,280	183	54	930	343,624	16,371	0
Transfer Payments	208,855	217,934	225	218,159	217,587	0	0	0	0	217,587	-572	0
Central Costs	89,345	110,666	-20,988	89,678	89,953	110	0	0	2,836	92,899	3,221	110
DRF	710	1,014	91	1,105	1,736	0	0	0	0	1,736	631	0
Other	0	0	0	0	61	0	0	0	0	61	61	0
Capital Charges	57,113	57,113	0	57,113	57,113	0	0	0	0	57,113	0	0
GROSS EXPENDITURE	1,389,988	1,453,151	-11,473	1,441,678	1,449,094	4,214	-333	-3	2,939	1,455,911	14,233	-170
Income												
Government Grants	568,850	626,295	-17,349	608,946	609,639	249	-1	0	-358	609,529	-583	0
Other Grants and Contributions	75,964	74,522	695	75,217	80,465	0	-2	-38	-2,251	78,174	-2,957	0
Sales	9,308	8,039	-197	7,842	7,565	200	0	0	0	7,765	77	-50
Fees and Charges	107,513	110,457	52	110,509	111,724	-1	-1	0	2	111,724	-1,215	1
Rents	7,774	8,112	-3	8,109	8,455	0	0	0	0	8,455	-346	0
Recharges To Other Services	205,043	205,449	388	205,837	214,853	0	0	20	203	215,076	-9,239	0
Other	9,634	7,207	1,358	8,565	10,025	0	0	0	-754	9,271	-706	0
Total Income	984,086	1,040,081	-15,056	1,025,025	1,042,726	448	-4	-18	-3,158	1,039,994	-14,969	-49
NET EXPENDITURE	405,902	413,070	3,583	416,653	406,368	3,766	-329	15	6,097	415,917	-736	-219

Appendix 4: Earmarked Reserves Position as at 31 December 2017

	EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	2016/17 CLOSING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	2017/18 CLOSING BALANCE AS AT 31 DEC 2017
			£'000	£'000	£'000	£'000	£'000	£'000
1	T&P AAP/Members Reserve	T&P	-2,482	870	0	0	870	-1,612
2	T&P Grant Reserve	T&P	-1,172	86	-139	-60	-113	-1,285
3	T&P Operational Reserve	T&P	-890	156	-9	-147	0	-890
4	T&P Transformation Reserve	T&P	0	0	-2,000	0	-2,000	-2,000
5	Social Care Reserve	AHS	-6,337	411	-16,097	581	-15,105	-21,442
6	Public Health Reserve	AHS	-3,436	3,098	-885	4	2,217	-1,219
7	Env. Health and Consumer Protection Reserve	AHS	-708	62	-67	0	-5	-713
8	Children's Services Reserve	CYPS	-4,985	2,386	-588	1,819	3,617	-1,368
9	Education Reserve	CYPS	-10,230	1,153	-821	0	332	-9,898
10	Neighbourhoods AAP Reserve	REAL	-45	0	0	0	0	-45
11	Direct Services Reserve	REAL	-2,605	362	-684	0	-322	-2,927
12	Culture and Sport Reserve	REAL	-2,531	675	-164	0	511	-2,020
13	Strategic Waste Reserve	REAL	-136	0	0	136	136	0
14	Technical Services Reserve	REAL	-4,631	300	0	-102	198	-4,433
15	Business Growth Fund Reserve	REAL	-764	718	-749	0	-31	-795
16	Economic Development Reserve	REAL	-2,164	747	-25	0	722	-1,442
17	Planning Reserve	REAL	-1,516	309	-65	0	244	-1,272
18	North Pennines AONB Partnership Reserve	REAL	-328	0	0	0	0	-328
19	Employability and Training Reserve	REAL	-125	114	0	0	114	-11
20	REAL Match Fund Programme Reserve	REAL	-1,735	80	0	0	80	-1,655
21	Housing Regeneration Reserve	REAL	-1,091	71	0	0	71	-1,020
22	Housing Solutions Reserve	REAL	-1,327	133	-169	-100	-136	-1,463
23	Restructure Reserve	REAL	-114	0	0	0	0	-114
24	Transport Reserve	REAL	-207	0	0	0	0	-207
25	Funding and Programmes Management Reserve	REAL	-390	0	0	0	0	-390
26	Customer Services Reserve	Resources	-210	0	0	-136	-136	-346
27	Resources Corporate Reserve	Resources	-978	0	0	500	500	-478
28	Resources DWP Grant Reserve	Resources	-1,681	69	-235	-150	-316	-1,997
29	Resources System Development Reserve	Resources	-725	725	0	-500	225	-500
30	Resources Housing Benefit Subsidy Reserve	Resources	-433	0	0	0	0	-433
31	Resources Revenue and Benefits Reserve	Resources	-300	300	-200	-375	-275	-575
32	Resources Legal Expenses Reserve	Resources	-200	0	0	0	0	-200
33	Resources Legal Services Reserve	Resources	-154	0	0	0	0	-154
34	Resources Elections Reserve	Resources	-1,010	597	0	0	597	-413
35	Resources ICT Reserves	Resources	-959	421	-250	0	171	-788
36	Human Resources Reserve	Resources	-97	0	0	-310	-310	-407
37	Equal Pay Reserve	Corporate Fin	-20,140	306	0	203	509	-19,631
38	Insurance Reserve	Corporate Fin	-9,991	0	0	0	0	-9,991
39	Performance Reward Grant Reserve	Corporate Fin	-638	400	0	0	400	-238
40	MTFP Redundancy and Early Retirement Reserve	Corporate Fin	-12,822	3,871	0	0	3,871	-8,951
41	Office Accommodation Project Support Reserve	Corporate Fin	-77	0	0	0	0	-77
42	Budget Support Reserve	Corporate Fin	-42,622	12,622	0	0	12,622	-30,000
43	Office Accommodation Capital Reserve	Corporate Fin	-40,645	0	0	-677	-677	-41,322
44	Inspire Programme Reserve	Corporate Fin	-2,664	1,247	0	987	2,234	-430
	Total Earmarked Reserves		-186,295	32,289	-23,147	1,673	10,815	-175,480
	Cash Limit Reserves							
45	Adult and Health Services		-5,512	0	-2,757	-75	-2,832	-8,344
46	Children and Young People's Services		-3,309	819	3,781	-1,819	2,781	-528
47	Regeneration and Local Services		-6,231	535	-878	614	271	-5,960
48	Resources		-1,023	194	-946	-66	-818	-1,841
49	Transformation and Partnerships		-179	-43	283	-327	-87	-266
	Total Cash Limit Reserves		-16,254	1,505	-517	-1,673	-685	-16,939
	Total Council Reserves		-202,549	33,794	-23,664	0	10,130	-192,419
	Schools' Balances							
Sch 1	Schools' Revenue Balance	CYPS	-19,836	7,263	0	0	7,263	-12,573
Sch 2	DSG Reserve	CYPS	-11,159	1,066	0	0	1,066	-10,093
	Total Schools and DSG Reserve		-30,995	8,329	0	0	8,329	-22,666