



North Tyneside Council



# 2012/13 Financial Management Report to 31 May 2012

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## Section 1.0 Executive Summary

- 1.1 This is the first report to Cabinet for 2012/13, setting out the Council's financial position as at the end of May 2012.
- 1.2 This report includes details of the forecast outturn position to the 31 March 2013, highlighting key strategic issues to be managed by the Council during the year.

### **Strategic Management of the Council's Budget**

- 1.3 The budget for 2012/13 was approved by Council at its meeting of 1 March 2012. The net General Fund revenue budget was set at £169.974m, which represented a reduction of £5.794m (3.3%) over 2011/12 spending levels.
- 1.4 The Capital Plan level of expenditure for 2012/13 was approved at £43.734m. Further reprogramming was approved by Cabinet through the budget monitoring and outturn reports (£5.592m on 12 March 2012 and £8.869m on 11 June 2012) taking the total approved capital plan for 2012/13 to £58.195m.
- 1.5 The current forecast outturn for the General Fund revenue budget reflects in-year pressures of £3.243m before general contingencies are released. The Directorate and Central teams are working to embed plans that will ensure these pressures are managed and that the budget is brought in on target at the end of the year. This corrective action will be taken into account when forecasting the year end position once it is prudently assessed as being realisable.
- 1.6 The contingency budget for the year has been partially applied for specific instances, however £2.719m of the general contingency remains unapplied at this time to specific schemes. This is applied within the non-delegated budgets and reduces the forecast pressure to £0.524m (£2.187m pressure reported at 31 May 2011).
- 1.7 The Housing Revenue Account (HRA) is forecasting a small underspend of £0.011m for the year.
- 1.8 In the period to 31 May 2012, the level of capital spend posted within the General Ledger was £2.181m, which represents 3.54% of the revised Capital Plan for the year, a slight increase on the comparative spend for 2011/12. After taking account of the required changes in funding arising from the proposed amendments to the Capital Plan and the level of capital receipts received to date, £11.493m of general fund capital receipts still need to be generated in the year.
- 1.9 Cabinet are recommended to approve variations of £0.937m to the 2012/13 Capital Plan to take advantage of the additional grant available in some project areas. The proposed new Sports Pavilion at Foxhunters Playing Fields due to be reported to Council on 28 June 2012 (deferred to 4 July 2012) is not included within the variations in this report.

- 1.10 The report includes reprogramming of capital projects previously approved by Cabinet as part of the 2011/12 Financial Management reports and the 2011/12 Provisional Outturn report. Also included is the reprogramming approved by Cabinet on 11 June 2012 in respect of North Shields Customer First Centre.

### **Strategic Issues**

- 1.11 As in previous years, over and above the management of the Council's core budget, there are issues that need to be addressed in year or that give rise to implications which extend beyond the one-year timescale of the annual budget. These issues are summarised below.

#### Change Improvement and Efficiency Programme

- 1.12 The budget for 2012/13 included savings of £16.739m, from the delivery of projects/actions included as part of the Change, Improvement and Efficiency programme (CEI). The savings are embedded within service budgets and are therefore included within the budget monitoring.
- 1.13 The scale of the financial challenge for the year meant that wide ranging efficiencies and service reconfiguration were required to be implemented during 2012/13. It is important that these CEI savings are monitored as part of the overall financial position of the Council, so the bottom line financial position is known.
- 1.14 It is also important that savings are only considered to be achieved once they are assessed as being realisable. To that end, this report has been prepared on a prudent basis. However, Cabinet should note the level of budget challenges that have been addressed to date through both the CEI programme and by on-going management action.
- 1.15 Specific contingencies in relation to the 36 hour working week (£0.730m) and the voluntary reduction in officer salaries over £50,000 (£0.020m) were included in the 2012/13 budget. As it is apparent that these savings will not be achieved, the contingency has been applied.
- 1.16 The Council is making good progress with the procurement process for the Technical and Business Packages. Whilst the required savings in 2012/13 (£0.984m and £0.904m respectively) cannot be confirmed until the contract is agreed later in the summer, this budget monitoring report has been prepared on the basis that the required savings are met.

#### Cabinet Implementation Plan

- 1.17 Each Cabinet meeting this financial year has received a report detailing progress with the Implementation Plan for the Council Strategic Plan and Budget. The report to the 11 June 2012 confirmed that the decisions taken to date remained within the overall financial envelope of the budget, with additional resources of £0.248m. **Appendix J** provides a breakdown of this figure.

#### Equal Pay and Equal Value

- 1.18 The draft 2011/12 Statement of Accounts included a provision of £15.128m for equal pay claims; this was the estimated value of the known claims at the year-end that should be included in the Accounts. The Accounts also disclosed further potential costs of equal pay, but as the timing and amount of any such claims was not known, it was included as a contingent liability.
- 1.19 We will continue to monitor the level of potential and known claims and update Cabinet as appropriate.
- 1.20 The method of funding these claims is also important. In 2011/12, £6.542m of the provision was capitalised after permission was granted by the Secretary of State. This means that the costs did not impact immediately on the Council's reserves and balances, but were financed as if they were an element of capital expenditure. The remaining £2.265m was carried forward into 2012/13 through the "Unequal Pay Back Pay Account" on the balance sheet; this is an accounting transaction so that the costs are recognised in the accounts when they are physically paid.
- 1.21 Currently no decision has been made by Central Government regarding options to capitalise equal pay costs in 2012/13 and therefore the risk remains that any settlements made during 2012/13 will be required to be funded from reserves. For purposes of transparency, we have included in Table 1 on page 7 an indication of the current estimate of equal pay payments we anticipate making during 2012/13 for which we do not have capitalisation approval, together with a corresponding adjustment from reserves to fund that expenditure.

#### Kier North Tyneside

- 1.22 The Council's draft Statement of Accounts for 2011/12 set out the level of trading that had taken place with Kier but also explained that as the company's accounting period-end is 30 June so their Accounts are not yet due. Cabinet will be updated with this information as it becomes available and our Statement of Accounts will be updated before the external audit opinion is issued (by 30 September 2012) when this is made available.
- 1.23 The contract continues to be monitored closely and payments are only made to Kier based on the agreed payment mechanism and the required supporting performance evidence.

#### Financing of the Capital Plan

- 1.24 As is set out in Section 5 of this Annex, there remains a balance of £11.493m to be generated from capital receipts if the original budget for financing this year's capital programme is to be met.
- 1.25 During 2011/12 the total capital receipts received was £6.504m (£4.386m General Fund and £2.118m Housing), which highlights the challenge in generating £11.493m in the remainder of the year.

## Section 2.0 General Fund Income and Expenditure

- 2.1 This section of the report details the current budget pressures identified by Directorates and the expected year-end outturn following mitigating actions taken to reduce those pressures. Table 1 summarises the position and reflects in year pressures of £0.524m.
- 2.2 The budget monitoring is based on the recorded transactions as at 31 May 2012 and is set out in Table 1 below. Table 1 is supplemented by a summary commentary below, covering the key variances by Directorate. The detailed **Appendices (A- E)** set out variations by Service Area.

**Table 1: 2012/13 General Fund Revenue Budget Forecast to 31 March 2013**

		Full Year Budget	Forecast Outturn	Forecast Outturn variance
	<b>Net Expenditure</b>	£m	£m	£m
1	Children, Young People & Learning			
	Controllable	22.075	22.692	0.617
	Non-Controllable	10.331	10.331	0.000
		<b>32.406</b>	<b>33.023</b>	<b>0.617</b>
2	Community Services			
	Controllable	78.412	81.437	3.025
	Non-Controllable	8.491	8.491	0.000
		<b>86.903</b>	<b>89.928</b>	<b>3.025</b>
3	Finance and Resources			
	Controllable	12.339	12.671	0.332
	Non-Controllable	-11.603	-11.603	0.000
		<b>0.736</b>	<b>1.068</b>	<b>0.332</b>
4	Chief Executive's Office:			
	Controllable	14.149	15.160	1.011
	Non-Controllable	-0.706	-0.706	0.000
		<b>13.443</b>	<b>14.454</b>	<b>1.011</b>
<b>Sub Total - Service- Approved Budget</b>		<b>133.488</b>	<b>138.473</b>	<b>4.985</b>

Table 1 Continued

		Full Year Budget	Forecast Outturn	Forecast Outturn variance
	<b>Non-delegated budgets:</b>	£m	£m	£m
5	Corporate and Democratic Core	8.952	8.952	0.000
6	Corporate Accounting	5.703	3.401	-2.302
7	Contingency Budget	3.699	0.980	-2.719
8	Equal Pay	0.000	2.265	2.265
9	Levies	12.728	12.728	0.000
10	Utilities	0.000	0.560	0.560
11	Non-controllable	5.404	5.404	0.000
<b>Sub-total- non delegated budgets</b>		<b>36.486</b>	<b>34.290</b>	<b>-2.196</b>
<b>Net current forecast pressure/(surplus) before use of reserves</b>		<b>169.974</b>	<b>172.763</b>	<b>2.789</b>
12	Potential use of Reserves	<b>0.000</b>	<b>-2.265</b>	<b>-2.265</b>
<b>Net Forecast pressure/(surplus) after application of reserves</b>		<b>169.974</b>	<b>170.498</b>	<b>0.524</b>

## Directorates

- 2.3 **Children, Young People and Learning (CYPL)** are currently projecting an pressure at year end of £0.617m. The areas of variance are outlined in **Appendix A**.
- 2.4 The demand-led area of looked after children remains a key area of management focus. This area overspent in 2010/11 by £1.564m and again by £0.702m in 2011/12. In setting the budget for 2012/13, there were targets to reduce the number of children placed in out of borough settings to approximately 26 children (from 30). Unfortunately, since March 2012 it has been necessary to place more children out of borough, resulting in a net increase to 34 children.
- 2.5 Part of the original business case for reducing costly out of borough placements was to increase in borough provision, and in particular extending the number of placements at Heatherfield Mews. Unfortunately, following further dialogue with Ofsted, it has not proved possible to extend the number of beds at Heatherfield Mews. Ofsted, as the registration body, has assessed the building overall at maximum capacity. The Service continues to explore options for increasing in-borough provision.
- 2.6 As a result of these changes in circumstances, the expenditure in support of looked after children is currently forecast to give a pressure of £0.690m. The placement of

all looked after children is managed carefully and all placements continue to be reviewed regularly both in terms of effectiveness and value for money.

- 2.7 There are a further two areas within CYPL where the projected variance at year end is currently in excess of £0.050m. One of these relates to additional income expected as a result of the decision to increase the price of school meals and meals on wheels in September 2012. The other is a potential increase in costs associated with extending the apprenticeship scheme. Both of these arise from decisions taken by Cabinet as part of their consideration of the Implementation Plan as set out earlier in this report.
- 2.8 As set out in table 2 below, the specific provision of £0.230m for 0-2 year olds has been applied. At the time of the budget setting process, the specific actions/projects against the grant allocation were not confirmed, so this amount was identified as a contingency. As was planned, this project is now being implemented so the contingency is applied as expected.
- 2.9 The CYPL Directorate Leadership Team is committed to trying to manage within its 2012/13 budget and continues to meet regularly to identify mitigating actions that might allow them to meet the budget for the year. This includes ensuring all unnecessary expenditure is avoided and all opportunities to make savings, or secure additional income, are achieved.
- 2.10 Overall the **Community Services Directorate** is required to deliver just under £8.700m of savings in 2012/13 and has additional pressures of around £6.500m, mainly, but not exclusively, in Adult Social Care. Of the £8.700m savings we are confident that we have the processes in place to deliver £7.200m of these and the remaining £1.500m should be achievable but are, at least in part, dependent on external influences such as customer demand. The teams are working through the £6.500m of pressures and have already identified contingency plans which should deal with around £3.500m. The teams continue to develop plans to reduce and contain the remaining pressures
- 2.11 The majority of these pressures fall in Adult Social Care and therefore the service is currently forecasting a pressure of £2.484m. While all of the action has been taken to realise planned savings, the service continues to experience demand-led costs, particularly in Learning Disabilities and Mental Health services. Although there has been growth in the budget of £1.500m to reflect the demand on this service as more and more clients present with more complex needs, we forecast that this will only cover the new pressures we expect in year.
- 2.12 Staffing restructures are progressing around the whole service to reflect the new operating model introduced to work with the Personalisation agenda and to focus resources where they have the most impact. The geographical split of services has been removed to allow the teams to be split into those managing more routine care cases and those with complex needs. The new structure also allows for a clearer distinction between commissioning and provider services. An analysis showing how the budgets for the services have been reshaped is attached as **Appendix I**. The budget changes reflect only a change to management structure and there has been no adjustment to the type of budget spend e.g. payroll budget and supplier budgets have only been reallocated and the total available for each has not altered.



- 2.13 Cultural and Customer Services area forecasting a pressure of £0.155m, which includes the impact of budget changes within the Implementation Plan. Work continues to identify additional contingency plans to bring this pressure down.
- 2.14 Within Environmental Services we are forecasting a pressure of £0.392m, which represent transport cost pressures mitigated in part by bereavement income and some reductions in supplier spend where this is possible.
- 2.15 The **Finance and Resources Directorate** is currently reporting a forecast pressure at year end of £0.332m.
- 2.16 Strategic property services are currently forecasting an under recovery of £0.218m of rental income in respect of commercial properties given the continued depressed economic climate. In addition to this the service is faced with managing inflationary increases on its properties, including increased lease charges associated with the Quadrant buildings.
- 2.17 The Finance and Resources Directorate continues to scrutinise all budgets at its disposal and all means of managing within its overall budget. Since setting the budget a saving in respect of external fees in the Finance service of £0.120m has been identified and included in the overall Directorate's forecast.
- 2.18 The **Chief Executive's Office** is currently reporting in-year pressures of £1.011m. The majority (£0.645m) of the pressures arise in Regeneration, Development and Regulatory services where current forecasts indicate some income targets may not be achieved. In addition, the expected cost of employing external consultants for planning appeals where the Planning Committee have refused planning permission against officer advice is predicted to be around £0.386m .
- 2.19 Legal Governance and Commercial have pressures of £0.050m and Chief Executive £0.138m, which reflect the impact of budget changes within the Implementation Plan.
- 2.20 Strategic Services are reporting in-year pressures of £0.178m. Of this £0.051m relates to Communications mainly around advertising income shortfalls, £0.077m to a shortfall on Service Level Agreement income from schools in Human Resources and £0.040m pressure in Performance & Scrutiny regarding a savings target for centralisation which is not yet achieved.
- 2.21 The following table sets out a list of revenue grants that have been awarded since the budget was set on 1 March 2012 which Cabinet are requested to approve. All new capital grants are shown in the capital variations section (paragraph 5.6) of this report.

**Table 2: 2012/13 Revenue Grants awarded since 1 March 2012**

Grant	Amount £m	Grantor	Directorate
High Street Innovation	0.100	Communities and Local Government	Chief Executive's Office
Community Games	0.001	Sport England	Community Services
Tackling Troubled Families Attachment Fee	0.410	Communities and Local Government	CYPL
More Tuneful Tots & Bouncin' Bairns Early Years Music Project	0.027	Youth Music	CYPL
<b>Total</b>	<b>0.538</b>		

**Non Delegated Budgets**

- 2.22 After the first two months of 2012/13 there are limited budget variations in relation to the non-delegated budgets with the exception of **Corporate Accounting**. The forecast underspend of £2.302m is in respect of a saving in Minimum Revenue Provision (MRP) of £0.319m following a review of asset lives and an expected saving of £0.552m credit in Strain on the Fund costs based on current reorganisations. It also includes an anticipated saving in interest costs (£1.431m) as a result of the timing of current borrowing requirements, due to the overall cash flow of the Council associated with our Capital Plan, and lower interest rates in the market than were anticipated at budget setting time
- 2.23 This section also includes the **Contingency** budget of £3.699m. The expected usage of this is shown in Table 3 below. This leaves a balance of £2.719m currently unallocated to specific Services.

**Table 3: 2012/13 Contingency Budget**

	General £m	0-2 year olds £m	Total £m
<b>Budget</b>	<b>3.469</b>	<b>0.230</b>	<b>3.699</b>
<b>Expected usage:</b>			
0-2 year olds	0	(0.230)	(0.230)
36 hour week	(0.730)	0	(0.730)
Over £50k voluntary reduction	(0.020)	0	(0.020)
<b>Balance not allocated to specific Services</b>	<b>2.719</b>	<b>0</b>	<b>2.719</b>

- 2.24 **Energy Costs** remain a significant issue for the council in respect of potential pressures being faced during 2012/13. Projects are in place to support services as they take action to reduce consumption of both gas and electricity, but rising unit costs continue to negate the impact of those actions. Action was taken in the 2012/13 budget to address the forecast energy pressures, which broadly provided the required budget for general utility costs, however did not fully address the on-going PFI streetlighting electricity bill. This will continue to be closely monitored during the year.
- 2.25 **Flood damage:** Officers are currently working to quantify the costs associated with the flooding caused on 28 June 2012. It is not yet possible to assess the financial impact, but Cabinet should note that Government assistance and insurance policies will be accessed as appropriate. A full financial impact will be reported to subsequent meetings.

## Section 3.0 Housing Revenue Account Income and Expenditure

- 3.1 This section of the report provides an update on the financial position and projections for the Council's Housing Revenue Account (HRA). The projected year-end position and variance analysis for May 2012 are attached as **Appendix F** to this report.
- 3.2 On the 15 February 2012 the Council approved the HRA budget for 2012/13. This included an average increase in housing rents of 9% in line with the requirements of rent restructuring, which aims for rent convergence by 2015-16.
- 3.3 The HRA has started the year with what was £0.837m higher than anticipated on opening balances ie £4.298m as opposed to the budgeted figure of £3.461m, and the current expectation is that the in-year position will be £0.011m better than budget.
- 3.4 The only major variations anticipated at this stage arise from the impact of the introduction of the HRA self-financing regime from 1 April 2012, and the impact of the changes to the Council's debt portfolio. There are two elements to this, namely:
- (a) Self-financing loans – the Council borrowed £128.193m on the 28 March 2012 from the Public Works Loan Board to effectively “buy-out” its place in the national housing subsidy system. The original self-financing report estimated that the cost of these loans, depending on their profiling, prevailing market conditions etc would come in at an interest rate of 3.5% – 4%. The budgeted figure used was 4% to provide a hedge against uncertainty. The final deal saw 26 loans taken out with an overall average interest rate of 3.49% and a loan profile of between 24 and 50 years. This means that the HRA will realise savings against budget in 2012-13 estimated at around £0.652m, incurring costs of approximately £4.476m against a budget of £5.128m for the new debt.
  - (b) Existing debt portfolio – as part of the transition to self-financing the Council had to decide on the approach it wished to take in relation to its existing debt portfolio. As recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA), Council agreed to recognise the “split” between the HRA and the General Fund, by having two debt pools – one containing the General Fund share, the other the above self-financing loans, and the HRA's share of the existing long-term loans ie £162.631m. The fairest way to do this was deemed to be to split every loan proportionately. When the budget report was prepared it was estimated that the overall average rate attached to these loans for 2012/13 would be just over 5.5%. However, because of the continued availability of loans at low interest rates, it is anticipated that the re-financing of existing loans due in 2012, will be at lower than anticipated rates, realising a further saving to the HRA in 2012-13 of at least £0.128m.
- 3.5 House-building Fund.

As agreed by Council on 15 February 2012 a new House-building Fund has been set up, to fund the cost of new build and environmental works. The initial contribution to this fund will come from the £0.065m budget, created as a result of estimated interest savings from the final self-financing settlement figure, which dropped from £129.834m to £128.193m. It was also agreed that any savings from the overall debt portfolio against budget would be added to the fund once the final accounts for the year had been audited. For 2012-13 as outlined above this should result in total additional contributions to the fund for 2012-13 of approximately £0.780m.

## Section 4.0 Schools Finance

- 4.1 Overall school balances increased by £0.302m to £6.726m at 31 March 2012. This continues the trend of strengthening North Tyneside school balances that has been seen over the last 10 years. 5 schools had an overall deficit balance at March 2012, compared with 11 at March 2011.
- 4.2 School spending and year-end balances are reported nationally to the Department for Education (DfE) in mid July each year through the "Consistent Financial Reporting" framework. This return provides further detail to the balances held by each school and distinguishes between committed and uncommitted balances. We report the final position on North Tyneside school balances in detail once this submission has been verified in November 2012.
- 4.3 Schools received their individual budget share (delegated budget) from the Local Authority by 31 March 2012 and have now set 3 year revenue budget plans (starting 2012/13). 7 schools have requested deficit approval for 2012/13 budgets. The Finance team, supported by School Improvement and the North Tyneside Schools Forum, are currently working with these schools, providing both challenge and support to each of their budget plans, in order to determine if they may be granted a deficit budget for 2012/13.
- 4.4 In relation to 2012/13 we have now received confirmation of the value of the Dedicated Schools Grant (DSG) for North Tyneside as £133.777m. This is a small increase on the estimate of £133.752m used when preparing 2012/13 budgets and school allocations.
- 4.5 On a wider school funding basis, officers from both Finance and CYPL directorates continue to work through the implications of the national school funding reform. Since April 2011 the DfE have engaged in a series of consultations on national school funding reform that have now resulted in significant changes to all aspects of education and schools funding including in summary:
- (a) A change in the way Local Authorities (LAs) receive their funding for education in 2013/14, including:
- Splitting the Dedicated Schools Grant (DSG) into 3 new blocks: Schools, Early years & High needs; and,
  - Proposals to transfer funding from Department for Communities and Local Government (DCLG) Local Authority Formula grant allocations to the DfE to allow them to introduce a new specific grant that would be payable to LAs and academies for these functions. (Thereby removing the need for the current complex funding calculations associated with Academy funding.) This is expected as part of DCLG consultation in the summer of 2012;
- (b) A requirement for all LA's to delegate more funds from within the DSG to schools and to significantly simplify their local funding formula using prescribed criteria for 2013/14. (To help minimise turbulence to schools and academies, the

Minimum Funding Guarantee will continue to be set at minus 1.5% for 2013/14 and 2014/15);

- (c) A significant change in the way high need Special Educational Needs (SEN) provision, across all settings are funded from 2013/14 (e.g. maintained mainstream and special, additionally resourced provisions, commissioned services, Pupil Referral Units, alternative providers, academies, independent, pre 16 and post 16);
- (d) A requirement for all LA's to review and simplify their funding formula for early years for 2013/14 so these can be more easily understood and benchmarked nationally; and,
- (e) Strengthened local governance arrangements and transparency, including changes to schools forums' composition and operation and a role for the Education Funding Agency in ensuring fairness within the new system.

4.6 Working with the Schools Forum, officers will now seek to establish how the new funding arrangements will be delivered in North Tyneside for 2013/14 and agree these with the Education Funding Agency by October 2012.

4.7 The DfE remain committed to the introduction of a national funding formula to redistribute funding across the country in line with current needs. This however will not be implemented until the next spending review period at the earliest.

## Section 5.0

### Capital Plan Expenditure and Financing

#### Review of Capital Plan - Position Statement

5.1 The Council's Capital Plan represents the capital investment in projects across all service areas. This report summarises activities up to 31 May 2012.

#### Capital Plan Delivery

5.2 Some of the key progress areas to note to 31 May 2012 are as follows:

- Schemes for the road and pavements programme have been agreed by the area forums;
- Funding has been awarded by the Environment Agency for Coastal Strategy, Cullercoats Pier and flooding works schemes;
- Completion of the Seafront Heritage Trail, new children's play site at Cullercoats and new parking at Beaconsfield and appointment of preferred developers for St Mary's Headland and Long Sands North Visitor Facilities;
- Work commenced on 33 new flats on the former Borough Bingo site;
- Relocation of tenants from Hedley Place phase 1 completed;
- Restoration work to Tynemouth Station has been completed, formal opening planned for July 2012;
- Customer Services suite in the Forum Shopping Centre completed and opened;
- Investment programme for Schools Capital Maintenance and Basic Need agreed as part of a report to Cabinet on 12 March 2012 to commence delivery during the 2012/13 financial year; and,
- At the time of writing, Council has not yet met to consider Cabinet's proposals for Foxhunters Sports Facilities. Updates on this scheme will be provided in subsequent budget monitoring reports.

#### Variations to the 2012/13 Capital Plan

5.3 The 2012-2022 Capital Plan was approved by Council on 1 March 2012. The total approved budget was £346.186m (£97.669m General Fund and £248.517m Housing). Reprogramming of £5.592m that were identified as part of December/January 2012 budget monitoring were approved by Cabinet on 12 March 2012 and reprogramming of £8.869m was approved as part of the 2011/12 Provisional Outturn report to Cabinet on 11 June 2012.



- 5.4 As part of the regular capital monitoring process during April and May 2012, reprogramming of £0.696m and variations of £0.937m to the 2012/13 plan have been identified. Reprogramming in relation to North Shields Customer First Centre was also approved by Cabinet on 11 June 2012. Table 4 details the changes to the approved 10-year Capital Plan, as agreed at Council on 1 March 2012.

**Table 4: 2012 - 2022 Capital Plan changes identified**

	2012/13 £m	2013/14 £m	2014/15 £m	2015/22 £m	Total £m
<b>Approved Capital Plan – Council 1 March 2012</b>	<b>43.734</b>	<b>35.142</b>	<b>32.401</b>	<b>234.909</b>	<b>346.186</b>
Reprogramming and other variations previously approved by Cabinet	14.461	0	0	0	14.461
<b>Approved Capital Plan – Cabinet 11 June 2012</b>	<b>58.195</b>	<b>35.142</b>	<b>32.401</b>	<b>234.909</b>	<b>360.647</b>
Apr/May Reprogramming	2.404	-2.404	0	0	0
April/May Variations	0.937	0	0	0	0.937
<b>Revised Capital Plan</b>	<b>61.536</b>	<b>32.738</b>	<b>32.401</b>	<b>234.909</b>	<b>361.584</b>

- 5.5 The variations and reprogramming have been identified as part of the regular capital monitoring process and it is these variations that Cabinet is recommended to approve at this meeting. The variations on the individual schemes are shown in **Appendix G**. **Appendix H** details the whole of the revised capital plan, taking into account the reported changes.

#### **Details of changes to the 2012/13 Capital Plan**

- 5.6 The total variations to the end of May 2012 for 2012/13 of £0.937m have been identified during the regular budget monitoring process. The details of the main changes for 2012/13 are shown below:
- (a) **EV052 Coastal Strategy (Environment Agency), £0.140m** – Additional funding awarded by the Environment Agency (£0.100m) to review the North Tyneside Coastal Strategy, originally published in 2007 and £0.040m for dune restoration works at Tynemouth Longsands;
  - (b) **EV054 Central Promenade Reconstruction, £0.053m** – Additional Environment Agency funding awarded to support the development of the Central Promenade reconstruction scheme which was approved by Council as part of the 2012-22 Capital Plan;

- (c) **EV065 Flooding Works Environment Agency, £0.090m** – Environment Agency funding award to support flood prevention works at Briar Vale (£0.050m) and Fairfield Green (£0.040m);
- (d) **ED152 CYPL Local Area Agreement (LAA) Grant Schemes, £0.159m** – Grant allocated from the LAA funding pot to support borough wide and locality based youth activities;
- (e) **ED166 Primary Capital Strategy, £0.495m credit**– Allocation of Modernisation monies to support the proposed new build voluntary aided primary schools.; and,
- (f) **ED120 Basic Need, £0.400m** – Allocation from GEN03 Contingencies to part finance a community provision at Whitley Lodge First School.

Full details of the variations are shown in **Appendix G**

5.7 The total reprogramming to the end of May was £2.404m. The details of the changes for 2012/13 are shown below:

- (a) **HS042 PFI Home loss & Land Issues, £0.696m credit** – Due to a delay on the scheme the home loss payments of £0.696m will not become payable until 2013/14 or beyond as tenants start to be decanted between properties. In addition £1.000m of PFI Home Loss will be used to fund the Targeted Refurbishment of Hedley Place in 2012/13 to deliver the additional environmental and walkway works. This will be replaced as required in 2014/15 and 2015/16 by future land sale receipts; and,
- (b) **ST014 North Shields Joint Service Centre, £3.100m** – Cabinet gave its approval to bring forward the refurbishment of North Shields Library from 2013/14 to 2012/13. The funding sources have also changed with £1.750m unsupported borrowing and £0.400m capital receipts being replaced by New Homes Bonus Grant £0.750m and a contribution from Strategic Reserve £1.400m.

5.8 The impact of these changes on Capital Financing is shown in Table 5 below.

**Table 5: Impact of variations on Capital financing 2012-22**

	2012/13 £m	2013/14 £m	2014/15 £m	2015/22 £m	Total £m
<b>Approved Capital Plan – Cabinet 11 June 2012</b>	<b>58.195</b>	<b>35.142</b>	<b>32.401</b>	<b>234.909</b>	<b>360.647</b>
Grants and Contributions	1.824	0	0	0	1.824
Unsupported Borrowing	0.950	-2.700	0	0	-1.750
Capital Receipts – General Fund	-0.137	-0.400	0	0	-0.537
Capital Receipts – Housing	-0.696	0.696	0	0	0
Ring fenced Receipts	0	0	0	0	0
Contribution from Strategic Reserve	1.400	0	0	0	1.400
Major Repairs Reserve	0	0	0	0	0
<b>Total Financing Variations</b>	<b>3.341</b>	<b>-2.404</b>	<b>0</b>	<b>0</b>	<b>0.937</b>
<b>Revised 2012/13 Capital Plan</b>	<b>61.536</b>	<b>32.738</b>	<b>32.401</b>	<b>234.909</b>	<b>361.584</b>

#### **Capital receipts – General Fund**

5.9 General Fund Capital Receipts brought forward at 1 April 2012 were £0.030m. The £0.030m general fund receipt is ring-fenced to fund schools expenditure and is not yet committed against projects in the capital plan.

5.10 To finance the 2012/13 Capital Plan the capital receipts required are £11.493m. There has been a reduction to the requirement of £0.137m compared to the approved budget of £11.630m, as the notification of the Disabled Facilities grant was £0.137m better than expected. As the overall project costs have not increased, capital receipts required can be reduced. To date, no receipts have been received in 2012/13, this leaves a balance of receipts to be generated for the General Fund of £11.493m.

**Table 6: Capital Receipt Requirement 2012/13 – General Fund**

	General Fund £m
Current Requirement	11.493
Useable Receipts Brought Forward	0
Useable Receipts Received	0
<b>Balance to be generated</b>	<b>11.493</b>

**Capital receipts – Housing**

- 5.11 Housing Capital Receipts brought forward at 1 April 2012 were £4.180m. The Housing receipts are committed against projects in the 2012-2022 Capital Plan.
- 5.12 To finance the 2012/13 Capital Plan the capital receipts required are £3.031m. This requirement has reduced by £0.696m due to reprogramming to 2013/14. To date, £0.304m of receipts have been received in 2012/13. This leaves a surplus balance of £1.453m to be carried forward to fund 2013/14 projects.

**Table 7: Capital Receipt Requirement 2012/13 - Housing**

	Housing £m
Current Requirement	3.031
Receipts Brought Forward	-4.180
Receipts Received	-0.304
<b>Surplus Balance to fund future years</b>	<b>-1.453</b>

- 5.13 The Government has recently introduced changes to the Right to Buy scheme which will lead to changes in the requirement to pool receipts. Details of the implications of these changes were reported to Cabinet on 16 April 2012 in the Reinforcing Right to Buy report.

**Capital Plan Monitoring Position to 31 May 2012**

- 5.14 Actual expenditure in the General Ledger was £2.181m (3.54%) of the total revised Capital Plan as at 31 May 2012.

**Table 8: 2012/13 Total Capital Plan Budget and Expenditure to 31 May 2012**

	2012/13 Revised Capital Plan £m	Actual Spend to 31 May 2012 £m	Spend as % of Total Revised Capital Budget %
General Fund	42.208	1.474	3.49
Housing	19.328	0.707	3.66
<b>TOTAL</b>	<b>61.536</b>	<b>2.181</b>	<b>3.54</b>

- 5.15 Comparative figures for 2011/12 to the end of May 2011 were 2.86% (General Fund 2.79% and Housing 3.06%).