

Cabinet 14 January 2013

Agenda Item 6(a) 2012/13 Financial Management Report to 30 November 2012

Annex 1



North Tyneside Council



# 2012/13 Financial Management Report to 30 November 2012

widening  
horizons

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## Section 1.0 Executive Summary

- 1.1 This is the fourth report to Cabinet for 2012/13, setting out the Council's financial position as at the end of November 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 and variations were approved by Cabinet through the 2012/13 budget monitoring and 2011/12 outturn reports. In addition, Cabinet approved £1.487m on 11 June 2012 (with the associated increase in borrowing of £1.087m approved by Council on 26 July 2012) taking the total approved capital plan for 2012/13 to £63.074m.
- 1.5 The current forecast outturn for the General Fund revenue budget reflects service pressures of £3.996m. There are two Exceptional items – Planning Appeals and Flooding – giving pressures of £0.789m and £1.000m respectively. 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 accounted for within the non-delegated budgets and reduces the forecast pressure to £1.637m (£1.959m pressure reported at 30 September 2012).
- 1.7 The Housing Revenue Account (HRA) is forecasting an improved reserves position of £0.320m at March 2013.
- 1.8 In the period to 30 November 2012, the level of capital spend posted within the General Ledger was £23.540m, which represents 39.1% of the revised Capital Plan for the year, a slight decrease 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, £8.870m of general fund capital receipts still need to be generated in the year.
- 1.9 Cabinet is recommended to approve variations of £1.301m and £4.183m reprogramming to the 2012/13 Capital Plan.

## Strategic Issues

- 1.10 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

- 1.11 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. Good progress has been made to date in delivering these savings, with work still to do in some areas as highlighted in section 2.
- 1.12 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.
- 1.13 It is also important that savings are only considered to be achieved once they are assessed as being realisable. To that end, this report continues to be 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.
- 1.14 The contracts for the Technical and Business Packages "went live" on 1 November 2012.

## Cabinet Implementation Plan

- 1.15 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 12 November 2012 confirmed that the decisions taken to date remained within the overall financial envelope of the budget, with additional resources of £0.302m. **Appendix I** provides a breakdown of this figure.

## Equal Pay and Equal Value

- 1.16 The 2011/12 Annual Financial Report included a provision of £15.128m for equal pay claims; this was the estimated value of the known claims at the year-end. 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.
- 1.17 We will continue to monitor the level of potential and known claims and update Cabinet as appropriate. This will include consideration of the potential impact arising from the recent judgment against Birmingham City Council with regard to the timescale for the submission of Equal Pay claims, although, at this stage, it is thought this is unlikely to be significant.

- 1.18 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.
- 1.19 The Authority has recently received confirmation that there will be no Equal Pay capitalisation issued nationally for 2012/13. 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, together with a corresponding adjustment from reserves to fund that expenditure. This estimate is continuously reviewed and any reduction in estimated payments during 2012/13 would lead to a corresponding reduction in the contribution required from the Strategic Reserve.

### **Financing of the Capital Plan**

- 1.20 As is set out in Section 5 of this Annex, there remains a balance of £8.870m to be generated from capital receipts if the original budget for financing this year's capital programme is to be met.
- 1.21 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 £8.870m in the remainder of the year. To meet the receipts target, 27 transactions are currently being progressed. The transactions are at various stages of completion and continue to be regularly monitored.

## 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 £1.637m.
- 2.2 The budget monitoring is based on the recorded transactions as at 30 November 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	Forecast Outturn Variance Sept 12
	<b>Net Expenditure</b>	£m	£m	£m	£m
1	Children, Young People & Learning Controllable	21.728	22.455	0.727	0.994
	Non-Controllable	10.519	10.519	0.000	0.000
		<b>32.247</b>	<b>32.974</b>	<b>0.727</b>	<b>0.994</b>
2	Community Services Controllable	76.191	78.352	2.161	2.567
	Non-Controllable	10.827	10.827	0.000	0.000
		<b>87.018</b>	<b>89.179</b>	<b>2.161</b>	<b>2.567</b>
3	Finance and Resources Controllable	13.836	13.795	-0.041	0.072
	Non-Controllable	-9.922	-9.922	0.000	0.000
		<b>3.914</b>	<b>3.873</b>	<b>-0.041</b>	<b>0.072</b>
4	Chief Executive's Office Controllable	15.798	16.947	1.149	0.883
	Non-Controllable	-5.699	-5.699	0.000	0.000
		<b>10.099</b>	<b>11.248</b>	<b>1.149</b>	<b>0.883</b>
<b>Sub Total - Service- Approved Budget</b>		<b>133.278</b>	<b>137.274</b>	<b>3.996</b>	<b>4.516</b>

Table 1 Continued

		Full Year Budget	Forecast Outturn	Forecast Outturn variance	Forecast Outturn Variance Sept 12
	<b>Non-delegated budgets:</b>	£m	£m	£m	£m
5	Corporate and Democratic Core	8.952	8.952	0.000	0.000
6	Corporate Accounting	5.358	2.874	-2.484	-2.109
7	Contingency Budget	3.469	0.750	-2.719	-2.719
8	Equal Pay	0.000	2.265	2.265	2.265
9	Levies	12.728	12.731	0.003	0.000
10	Utilities	0.000	1.052	1.052	0.725
11	Non-controllable	6.189	6.189	0.000	0.000
<b>Sub-total- non delegated budgets</b>		<b>36.696</b>	<b>34.813</b>	<b>-1.883</b>	<b>-1.838</b>
<b>Net current forecast pressure/(surplus) before use of reserves</b>		<b>169.974</b>	<b>172.087</b>	<b>2.113</b>	<b>2.678</b>
12	Potential use of Reserves	0.000	-2.265	-2.265	-2.265
<b>Net Forecast pressure/(surplus) after application of reserves before exceptional items</b>		<b>169.974</b>	<b>169.822</b>	<b>-0.152</b>	<b>0.413</b>
<b>Exceptional Items</b>					
13	Planning Appeals	0.000	0.789	0.789	0.546
14	Flooding Estimate	0.000	1.000	1.000	1.000
<b>Net Forecast pressure/(surplus) after application of reserves and exceptional items</b>		<b>169.974</b>	<b>171.611</b>	<b>1.637</b>	<b>1.959</b>

## Directorates

- 2.3 **Children, Young People and Learning (CYPL)** are currently projecting a pressure at year end of £0.727m. This is an improvement on the forecast in September which was £0.994m. The areas of variance are outlined in **Appendix A**.
- 2.4 During the year the Directorate have attempted to mitigate pressure and manage within budget by:
- Cessation of non essential spend;
  - Controls over appointments;
  - Head of Service challenge sessions with all budget holders;
  - Weekly Looked After Children placement challenge and review meetings;
  - Route by route review of transport arrangements; and,
  - Budget monitoring updates to CYPL Directorate Leadership Team at least fortnightly.

- 2.5 The areas of improvement since September are:
- Forecast pressure in relation to School PFI costs has reduced following a review of the PFI model
  - Staff savings across area children's teams and early years activity.
  - Forecast savings in Youth Services, Youth Offending & Prevention Services following cessation of non-essential spend.
- 2.6 The main projected pressures remain in the demand-led areas of Looked After Children, special educational needs and children's disability. These are detailed in Appendix A.
- 2.7 The CYPL Directorate Leadership Team remain committed to trying to manage within its 2012/13 budget and continues to meet regularly to identify all mitigating actions that might allow them to meet the budget for the year.
- 2.8 Overall the **Community Services Directorate** is required to deliver just under £8.7m of savings in 2012/13 and has additional pressures of around £6.5m, mainly, but not exclusively, in Adult Social Care. Of the £8.7m savings the directorate is confident that it has the processes in place to deliver all of these although there remain a limited number of elements which are dependent on external influences such as customer demand. The teams are working through the £6.5m of pressures and have already identified contingency plans which should deal with around £4.3m. The teams continue to develop plans to reduce and contain the remaining pressures.
- 2.9 The majority of these pressures fall in Adult Social Care and therefore the service is currently forecasting a pressure of £1.965m. 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 £1.5m 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.
- 2.10 Staffing restructures are progressing well around the whole Adult Social Care 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. 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.
- 2.11 Cultural and Customer Services area forecasting a pressure of £0.115m, which includes the impact of budget changes within the Implementation Plan. Work continues to identify additional contingency plans to bring this pressure down.
- 2.12 Environmental Services are forecasting pressures of £0.178m, which represent transport cost pressures mitigated in part by bereavement income, some reductions in supplier spend where this is possible and some in-year savings from continuing to use fleet beyond its forecast useful life.



- 2.13 The **Finance and Resources Directorate** is currently reporting a forecast underspend at year end of £0.041m. Comparisons with previous reporting periods are slightly complicated as the Directorate now reflects the new organisation hierarchy following the introduction of the new partnering arrangements. The main movements being the Strategic Property service is now shown in the Chief Executive's Office with Customer Services and Commercial Services moving into Finance and Resources. Further details are shown in Appendix C.
- 2.14 Although the Directorate's budget is broadly balanced the Finance and Resources Directorate continues to scrutinise all budgets at its disposal and all means of reducing expenditure and maximising income.
- 2.15 The **Chief Executive's Office** is currently reporting in-year pressures of £1.149m. The majority (£0.932m) of the pressures arise in Regeneration, Development and Regulatory (RDR) services where current forecasts indicate some income targets may not be achieved. The cost of employing external consultants for planning appeals where the Planning Committee have refused planning permission against officer advice is predicted to be around £0.789m and is shown separately under exceptional items.
- 2.16 Business and Economy is now included within RDR having previously been included in Children, Young People & Learning and is expected to spend on budget.
- 2.17 Strategic Property is now included within RDR having previously been included in Finance and Resources and overall is predicting a pressure of £0.618 across non-operational buildings, operational buildings and those surplus to requirements. We are currently forecasting an under recovery of £0.304m of rental income in respect of commercial properties given the continued depressed economic climate, although members will be aware that this risk is now managed by Capita. In addition to this the service is faced with managing inflationary increases on its properties, including increased lease charges associated with the Quadrant buildings.
- 2.18 Legal Governance and Commercial have pressures of £0.038m which reflects the impact of budget changes within the Implementation Plan, compensated for in part by small savings and a delay in joint working with Newcastle to provide a legal service to Housing Associations. The Chief Executive post has pressures of £0.148m as a result of the changes within the Implementation Plan.
- 2.19 Strategic Services are reporting in-year pressures of £0.031m. Of this £0.076m relates to Communications mainly around advertising income shortfalls and which is partly compensated for by small savings in Policy & partnerships and Management & Mayoral Support.
- 2.20 The following table sets out a list of revenue grants, which have been awarded since the last report to Cabinet, 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 October 2012

Grant	Amount £m	Grantor	Directorate	Council contribution required
Warm Homes Healthy People fund	0.358	North of Tyne Winter Warmth Partnership (NTWWP)	Chief Executive's Office	Nil
Assessed and supported year in employment	0.005	Department for Education	Children, Young People and Learning	Nil
Adoption improvement grant	0.036	Department for Education	Children, Young People and Learning	Nil
Flexible support fund	0.037	Department for work and pensions	Children, Young People and Learning	Nil
Weekly Collection Support grant	3.355	Department for Communities and Local Government	Community Services	Base budget
Fuel Poverty Fund	0.012	Department of Energy and Climate Change	Community Services	Nil
<b>Total</b>	<b>3.808</b>			

2.21 The grants have been awarded for the following purpose:

- (a) North of Tyne Winter Warmth Partnership (NTWWP) have provided Warm Homes Healthy People Fund Grant which aims to reduce deaths linked to inadequate heating in the home and to also supports energy efficiency. The grant is for one year (2012/13);
- (b) The Assessed and Supported Year in Employment Grant enables employers to offer support and assessment to social workers during their first year of employment and supercedes the Newly Qualified Social Worker programme. The grant is for one year (2012/13);
- (c) The Adoption Improvement Grant aims ensure that more children for whom adoption is the best option can be placed more quickly for the best possible chances in life. The grant is for one year (2012/13);
- (d) The Flexible Support Fund aims to improve employment prospects for long term unemployed individuals facing the most complex barriers to work. The grant is for the period 1 November 2012 to 31 October 2013;
- (e) The Weekly Collection Support Grant is a contribution to the cost of the continuation of weekly bin collections. The grant of £3.355m is awarded for a period of five years and equates to a grant of £0.671m per annum; and,

- (f) The Fuel Poverty Fund revenue grant will be used to support the capital grant in the delivery of an integrated package of home energy efficiency measures (such as heating repairs, new boilers and solid wall insulation) and related advice and support. The money is to be spent by March 31<sup>st</sup> 2013.

## Non Delegated Budgets

- 2.22 There are limited budget variations in relation to the non-delegated budgets with the exception of **Corporate Accounting**. The forecast underspend of £2.484m 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 £0.377m (credit) in Strain on the Fund costs based on current reorganisations. It also includes an anticipated saving in interest costs (£1.640m) 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. A refund of £0.398m has been received following a review by central government of the adjustments in 2011/12 to Local Authority formula grants in respect of academies. Included in corporate accounting are costs of £0.250m which reflects the costs of the payment of the £250 to school based staff earning less than £21,000.
- 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. This is unchanged since the 31 July Financial Management report to Cabinet.

**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.

**Exceptional items**

- 2.25 **Planning Appeals:** There is a pressure of £0.789m due to the forecast cost of employing external consultants for planning appeals, and associated costs if appeals are awarded against the authority. The pressure relates to Whitehouse Farm (estimated at present at £0.369m) and Scaffold Hill (estimated at £0.420m).
- 2.26 **Flood damage:** The current estimate of the costs associated with the flooding caused on 28 June 2012 is £1.000m. This is the estimate of general fund costs which are not covered by insurance. Work is on-going to determine if the Bellwin Scheme will apply, but this is only for certain categories of spend and only for costs above a threshold (£0.603m for North Tyneside).

## 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 to 30 November 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 i.e. £4.298m as opposed to the budgeted figure of £3.461m, and the current expectation is that the in-year position will be £0.518m worse than budget after £0.757m from brought forward balances is set aside to support the new build at Station Road as agreed by Cabinet 13 August 2012.
- 3.4 The major variations anticipated at this stage arise from the impact of the introduction of the HRA self-financing regime from 1 April 2012, the impact of the changes to the Council's debt portfolio, a small improvement in the anticipated levels of rental income and service charges to be raised, and the impact of making additional revenue contributions to Capital to fund the Station Road new build scheme. The main elements of these issues are as follows:-
- (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 factors such as their profiling and prevailing market conditions would come in at an interest rate of 3.5% – 4%. The budgeted figure used was 4% to provide a hedge/cover 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 i.e. £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 £0.277m.

- (c) Rental Income & Service Charge Income – it is now anticipated that there will be increased revenue from service charges and rental income, mainly in relation to furniture packs and temporary accommodation.
- (d) Cabinet on 13 August 2012 approved proposals to fund two new build pilot projects at Station Road in Wallsend and Byrness Court in Battlehill in 2012-13 and 2013-14. Part of the financing for these schemes was to use the additional revenue balances of £0.837m brought forward from last year, this month's budget monitoring reflects the first £0.757m of this contribution being applied to Capital Financing to part-fund the Station Road scheme.

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. For 2012/13 as outlined above this should result in total additional contributions to the fund during 2012/13 of approximately £0.929m. The level of the fund will be confirmed as part of the Outturn report to Cabinet in June 2013. The £0.065m initial budgets for both 2012/13 and 2013/14 have been assumed as contributions against the Station Road and Byrness Court new-build schemes mentioned above.

## Section 4.0 Schools Finance

### School Funding reform

4.1 Finance and CYPL directorates have continued to work through the requirements and implications of the national school funding reform in line with the plan reported previously. These activities continue to be conducted in line with the timeline shared previously and outlined as follows:

Date	Event
<b><u>2012</u></b>	
1 – 15 Oct	<ul style="list-style-type: none"> <li>Formal consultation of School Funding Reform</li> </ul>
8 Oct evening & 9 Oct afternoon	<ul style="list-style-type: none"> <li>Briefing events to support the consultation (attended by 65 school representatives from 42 schools)</li> </ul>
24 Oct	<ul style="list-style-type: none"> <li>Schools Forum Meeting – Final agreement on proposals</li> </ul>
25 - 31 Oct	<ul style="list-style-type: none"> <li>Submit agreed proposals to the EFA</li> </ul>
October	<ul style="list-style-type: none"> <li>The pupil data from the October census will be the driver of 2013/14 school allocations</li> </ul>
4 Dec 6pm	<ul style="list-style-type: none"> <li>Update on School funding reform for Governors</li> </ul>
11 Dec (after EFA sign off)	<ul style="list-style-type: none"> <li>All schools received a briefing paper on the outcome of the process</li> </ul>
<b><u>2013</u></b>	
18 Jan	<ul style="list-style-type: none"> <li>LAs submit final pro-forma to EFA taking account of changes driven by the October pupils census data</li> </ul>
25 Jan	<ul style="list-style-type: none"> <li>Issue all maintained schools with 2013/14 allocations</li> </ul>

4.2 In addition to the School funding reform, other developments include:

- A review of the Schools Forum constitution and governance arrangements has been conducted in advance of a paper being submitted to Cabinet;
- Schools have been informed of the increase in the 2012/13 Pupil Premium allocations to £623 per eligible pupil; and,
- All schools have submitted budget monitoring returns for 2012/13.

## 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 30 November 2012.

#### Capital Plan Delivery

5.2 Some of the key progress areas to note to 30 November 2012 are as follows:

- Swan Hunters development: As reported to Cabinet on 12 November the Local Development Order for the site has been approved and the HCA has approved £3.300m for further investment, of which £0.280m relates to 2012/13;
- 30 Private Sector loans have been approved via the regionally procured lender, Five Lamps (a social enterprise);
- The refurbishment of the North Shields Central Library is underway and on target;
- There have been 101 Disabled Facilities Grants (DFG) approved since April 2012, of which 64 have been completed. There have been a further 35 DFGs completed which related to 2011/12. In addition, there have been a further 128 DFG Emergency Type A2 works approved and completed up to the end of November 2012;
- The Corporate Email migration has been completed; and
- The construction works on the Foxhunters Pavilion and Sports Ground commenced in October 2012.

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

5.3 On 1 March 2012, full Council agreed the estimates and amounts in relation to the 2012-2022 Capital Plan based on the schemes identified at that point in time. The total approved budget was £346.186m (£97.669m General Fund and £248.517m Housing). Since then, reprogramming of £5.592m was identified as part of the January 2012 budget monitoring was 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. The capital monitoring process during April to September 2012, identified reprogramming of £2.491 and variations of £2.388m approved by Cabinet on 9 July, 10 September and 12 November 2012.

5.4 As part of the regular capital monitoring process during October and November 2012, budget variations of £1.301m and reprogramming of £4.183m to the 2012/13 plan have been identified. **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	19.340	-2.491	0	0	16.849
<b>Approved Capital Plan – Cabinet 10 September 2012</b>	<b>63.074</b>	<b>32.651</b>	<b>32.401</b>	<b>234.909</b>	<b>363.035</b>
Oct/Nov Reprogramming	-4.183	4.083	0.100	0	0
Oct/Nov Variations	1.301	0	0	0	1.301
<b>Revised Capital Plan</b>	<b>60.192</b>	<b>36.734</b>	<b>32.501</b>	<b>234.909</b>	<b>364.336</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 Details of the main changes included in the £1.301m variation for 2012/13 are shown below:

- (a) **DV058 Swan Hunters Development, £0.280m** – At the Cabinet meeting on 12 November 2012 it was agreed that the design works element up to £0.280m could be moved from the reserve list onto the main capital plan. This is subject to the confirmation of the Homes and Communities Agency grant funding;
- (b) **DV046 Wallsend North Bank of Tyne, £0.194m credit** – Correction of the Single Programme funding that was included in the 2012/13 budget;
- (c) **GEN03 Contingencies Allocation, £0.010m** – Contribution from contingencies towards the cost of the Self Service Payment Kiosk project (CO063);
- (d) **Budget Virement, £0.092m** - A budget virement was agreed at the Cabinet meeting on 12 November to transfer £0.092m from the Area Forum

Environmental budget to support capital scheme EV055 Surface Water Management Improvement (Flooding);

- (e) **HS004 Disabled Facilities Grant (DFG), £nil**, - Additional DFG grant of £0.167m was awarded by Department for Communities and Local Government for 2012/13. This has enabled the release of capital receipts from the project and therefore a nil variation has been reported;
- (f) **HS044 HRA New Build, £1.022m** – The budget for new build at Station Road is to be financed through 2011/12 additional HRA balances, New Homes Bonus and the House Building Fund;
- (g) **HS039 Integrated Housing Computer System, £0.080 credit** – Budget amended due to reflect reduced demand;
- (h) **HS036 Warm Zones £0.032m and HS043 HRA Supplementary Scheme £0.048m** – Cabinet is requested to approve the acceptance of a grant for Home Efficiency measures from the Department of Energy and Climate Change.(as outlined in paragraph 2.20 and 2.21 above). The grant is to be match funded by £0.034m which is already included in the Housing Capital Plan; and
- (i) **GEN10 Newcastle Airport Shares, £0.235m** – To finance the buyout of Darlington Council's share in Newcastle Airport. This is fully funded by a contribution from Copenhagen Airports.

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

5.7 The reprogramming to the end of November was £4.183m. This related to the following schemes:

- (a) **ED166 Primary Capital Strategy, £2.935m** - It is not anticipated that the contractor for the new build Voluntary Aided schools will be appointed until February 2013. There will be minimal design development costs being incurred in 2012/13 and it is anticipated that the balance will be expended during 2013/14;
- (b) **HS036 North Tyneside Warm Zones, £0.216m** – Reprogramming of £0.116m to 2013/14 and £0.100 to 2014/15 to lever in external funding for energy efficiency measures in homes, subject to a report to this Cabinet and subsequent procurement exercise;
- (c) **HS044 HRA New Build, £0.472m** – Scheme is being fully re-priced which has impacted on the project start date;
- (d) **HS043 HRA Supplementary Schemes, £0.150m** – Reprogramming of Environmental Works to allow for detailed costing to be obtained;
- (e) **DV019 Whitley Bay Regeneration, £0.350m** - In light of progress with the Heritage Lottery Fund bid for Spanish City Dome and other associated matters there is a requirement for the capital budget has been reprogrammed into 2013/14.

## Capital Financing

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 12 November 2012</b>	<b>63.074</b>	<b>32.651</b>	<b>32.401</b>	<b>234.909</b>	<b>363.035</b>
Grants and Contributions	-1.558	2.078	0	0	0.520
Unsupported Borrowing	-0.028	0.028	0	0	0
Capital Receipts – General Fund	-1.562	1.295	0.100	0	-0.167
Capital Receipts – Housing	-0.682	0.682	0	0	0
Revenue Contribution – Housing	0.900	0	0	0	0.900
Grants and Contributions - Housing	0.048	0	0	0	0.048
Contribution from Strategic Reserve	0	0	0	0	0
Major Repairs Reserve	0	0	0	0	0
<b>Total Financing Variations</b>	<b>-2.882</b>	<b>4.083</b>	<b>0.100</b>	<b>0</b>	<b>1.301</b>
<b>Revised 2012/13 Capital Plan</b>	<b>60.192</b>	<b>36.734</b>	<b>32.501</b>	<b>234.909</b>	<b>364.336</b>

5.9 A summary of the Capital Financing position after these changes is shown in **Appendix H**. This shows Council Contribution (Capital Receipts, Unsupported Borrowing and Revenue Contribution) and Grants and contributions.

### Capital receipts – General Fund

5.10 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.

5.11 To finance the 2012/13 Capital Plan the capital receipts required are £9.474m. To date, £0.604m has been received in 2012/13. This leaves a balance of receipts to be generated for the General Fund of £8.870m.

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

	General Fund £m
Current Requirement	9.474
Useable Receipts Brought Forward	0
Useable Receipts Received	-0.604
<b>Balance to be generated</b>	<b>8.870</b>

**Capital receipts – Housing**

- 5.12 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.
- 5.13 To finance the 2012/13 Capital Plan the capital receipts required are £2.436m. Capital receipts brought forward are sufficient to cover this with a surplus of £1.744m to carry forward into 2013/14.
- 5.14 In addition, to date, £2.400m of receipts have been received in 2012/13. Under the revised pooling arrangements introduced by Government, as part of the “Re-invigorating Right to Buy and One for One Replacement” proposals, it is now a far more complex process to calculate the proportion available as Usable Receipts, and we do not know until the end of each quarter what the actual picture is, as some parts of the calculation have a retrospective effect depending on the previous quarters figures. However, as at the end of the second quarter ie September 2012, £1.474m of receipts had been realised and allocated provisionally.

**Capital Plan Monitoring Position to 30 November 2012**

- 5.15 Actual expenditure in the General Ledger was £23.540m (39.1%) of the total revised Capital Plan as at 30 November 2012.

**Table 7: 2012/13 Total Capital Plan Budget and Expenditure to 30 November 2012**

	2012/13 Revised Capital Plan £m	Actual Spend to 30 November 2012 £m	Spend as % of Total Revised Capital Budget %
General Fund	40.511	15.106	37.3
Housing	19.681	8.434	42.9
<b>TOTAL</b>	<b>60.192</b>	<b>23.540</b>	<b>39.1</b>

- 5.16 Comparative figures for 2011/12 to the end of November 2011 were 43.1% (General Fund 41.4% and Housing 46.8%).