North Tyneside Council

2012/13 Financial Management Report to 31 January 2013

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Section 1.0
Executive Summary

1.1 This is the fifth report to Cabinet for 2012/13, setting out the Council's financial position as at the end of January 2013.

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 £60.192m.

1.5 The current forecast outturn for the General Fund revenue budget reflects service pressures of £1.139m. There are three Exceptional items – Planning Appeals, Flooding and redundancies – giving pressures of £0.764m, £0.500m and £1.200m 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 £0.884m (£1.637m pressure reported at 30 November 2012).

1.7 The Housing Revenue Account (HRA) is forecasting reserves of £1.603m at 31 March 2013, a slight deterioration from the position forecast at the end of November 2012.

1.8 In the period to 31 January 2013, the level of capital spend posted within the General Ledger was £29.598m, which represents 55.2% 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, £6.360m of general fund capital receipts still need to be generated in the year.

1.9 Cabinet is recommended to approve variations of £1.720m and £8.226m 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 As part of the strategy to deliver elements of the CEI programme, the Council issued an HR1 notice in December 2012 which indicates a reduction in the workforce of up to 250 jobs by 31 December 2013. The Council is aiming to minimise redundancies through actions such as the deletion of vacant posts. Savings from the implementation of this redundancy policy are an integral part of the Council's CEI Programme and are built into the monitoring figures for that programme.

1.15 In previous years the Authority has taken the opportunity` to capitalise the statutory costs of redundancy payment. Any revenue (non statutory) costs and associated Strain on the Fund costs have been met from the Strategic Reserve. For 2012/13 there has been no announcement from DCLG with regard to capitalisation, and the current estimate of costs would fall below previous year's deminimus level', meaning that the option capitalisation would not be available.

1.16 Accounting standards require that we make provision for estimated redundancy costs as soon as plans are identified , therefore included in this budget monitoring position is £1.200m in respect of an estimated 120 posts identified as part of the 2013/14 CEI programme.

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 14 January 2013 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

1.18 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.

1.19 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.

1.20 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 A review of the likely timing of Equal Pay payments has been undertaken. It is now estimated that the Equal Pay provision that is covered by previous capitalisations will be sufficient to cover expected payments during 2012/13. Therefore, the £2.265m Unequal Pay Back Pay account will not require funding until 2013/14.

1.22 CLG recently consulted on proposals to change to capital regulations to allow the use of capital receipts to fund Equal Pay payments. It is intended that any changes will apply from 2012/13.This may remove the need to fund Equal Pay through the Strategic Reserve but would require additional capital receipts to be generated.

Financing of the Capital Plan

1.23 As is set out in Section 5 of this Annex, there remains a balance of £6.360m to be generated from capital receipts if the original budget for financing this year's capital programme is to be met.

1.24 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.

1.25 At this point, based on a risk assessment of the timeliness of receipts, an estimated £1.594m of General Fund land sales will be achieved in 2012/13, with the remainder expected in 2013/14. This will mean additional temporary borrowing and Minimum Revenue Provision (MRP) in 2013/14, which given the continued low interest rates the revenue effect of this will be contained within existing budgets.

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 £0.884m.

2.2 The budget monitoring is based on the recorded transactions as at 31 January 2013 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 Jan 2013	Forecast Outturn Variance Nov 2012
	Net Expenditure	£m	£m	£m	£m
1	Children, Young People & Learning				
	Controllable	21.678	22.259	0.581	0.727
	Non-Controllable	10.519	10.519	0.000	0.000
		32.197	**32.778**	**0.581**	**0.727**
2	Community Services				
	Controllable	76.493	77.392	0.899	2.161
	Non-Controllable	10.827	10.827	0.000	0.000
		87.320	**88.219**	**0.899**	**2.161**
3	Finance and Resources				
	Controllable	13.836	13.729	-0.107	-0.041
	Non-Controllable	-9.922	-9.922	0.000	0.000
		3.914	**3.807**	**-0.107**	**-0.041**
4	Chief Executive's Office				
	Controllable	15.546	16.586	1.040	1.149
	Non-Controllable	-5.699	-5.699	0.000	0.000
		9.847	**10.887**	**1.040**	**1.149**
Sub Total - Service- Approved Budget		**133.278**	**135.691**	**2.413**	**3.996**

Table 1 Continued

		Full Year Budget	Forecast Outturn	Forecast Outturn Variance Jan 2013	Forecast Outturn Variance Nov 2012
	Non-delegated budgets:	£m	£m	£m	£m
5	Corporate and Democratic Core	8.952	8.952	0.000	0.000
6	Corporate Accounting	5.358	2.908	-2.450	-2.484
7	Contingency Budget	3.469	0.750	-2.719	-2.719
8	Equal Pay	0.000	0.000	0.000	2.265
9	Levies	12.728	12.731	0.003	0.003
10	Utilities	0.000	1.173	1.173	1.052
11	Non-controllable	6.189	6.189	0.000	0.000
Sub-total- non delegated budgets		**36.696**	**32.703**	**-3.993**	**-1.838**
Net current forecast pressure/(surplus) before use of reserves		**169.974**	**168.394**	**-1.580**	**2.113**
12	Potential use of Reserves	0.000	0.000	0.000	-2.265
Net Forecast pressure/(surplus) after application of reserves before exceptional items		**169.974**	**168.394**	**-1.580**	**-0.152**
	Exceptional Items				
13	Planning Appeals	0.000	0.764	0.764	0.789
14	Flooding Estimate	0.000	0.500	0.500	1.000
15	Redundancies	0.000	1.200	1.200	0.000
Net Forecast pressure/(surplus) after application of reserves and exceptional items		**169.974**	**170.858**	**0.884**	**1.637**

Directorates

2.3 **Children, Young People and Learning** (CYPL) are currently projecting a pressure at year end of £0.581m. This is an improvement on the forecast in September which was £0.727m. 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 material areas of improvement since November are in Preventative and Safeguarding services. This includes a reduction in the projected pressure associated with corporate parenting. There are also staff savings across area childrens teams and early years activity, coupled with additional income since introducing the 2-year old education offer.

2.6 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.

2.7 The **Community Services Directorate** has in-year savings targets of just under £8.7m in 2012/13 and significant additional pressures, mainly, but not exclusively, in Adult Social Care. The directorate is confident that it has the processes in place to deliver all of the savings although there remain a limited number of elements which are dependent on external influences such as customer demand. The teams continue to develop plans to reduce and contain the remaining pressures. The forecast has improved from the reported figures at November, largely due to improvements in the Adult Social Care position. The announcement of £0.348m of Winter Pressures Grant, an increased income projection for client contributions (£0.260m), a reduction in Learning Disability placement cost projection, a reduction in Older People placement costs have contributed to this improved position.

2.8 Adult Social Care is currently forecasting a pressure of £0.634m. While all of the action has been taken to realise planned savings, the service continues to experience demand-led costs, particularly in Commissioned Services for Learning Disabilities and Mental Health. 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.

2.9 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.

2.10 Cultural and Customer Services are forecasting a pressure of £0.243m, which includes the net impact of budget changes within the Implementation Plan of £0.054m. A significant proportion of the pressure relates to premises costs especially around the Joint Service Centres (JSC) at Shiremoor and Dudley (£0.177m), which is compensated in part by the delayed opening of Whitley Bay JSC in year. Whitley Bay JSC was budgeted to be open for three months during 2013-14 but will now open towards the end of February. A growth bid for Shiremoor & Dudley JSCs has been included in the 2013-14 Budget proposals for future years. There are also pressures within water charges (£0.080m) and a one-off adjustment for VAT relating to the Mouth of the Tyne income (£0.057m). Income from Sports &

Leisure continues to outperform against budgets and the team continue to work to identify additional contingency plans to bring the pressure down.

2.11 Environmental Services are forecasting pressures of £0.119m, 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.

2.12 The **Finance and Resources Directorate** is currently reporting a forecast underspend at year end of £0.107m, a change from the £0.041m underspend forecast at November. The main movements being that the Kier management fee income is currently expected to exceed expectations and there are additional staff savings now forecast within customer services. Further details are shown in Appendix C.

2.13 Although the Directorate's budget is forecasting an underspend the Finance and Resources Directorate continues to scrutinise all budgets at its disposal and all means of securing value for money from its expenditure budgets and maximising income.

2.14 The **Chief Executive's Office** is currently reporting in-year pressures of £1.040m. The majority (£0.861m) 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 £0.764m and is shown separately under exceptional items.

2.15 Business and Enterprise is now included within RDR having previously been included in Children, Young People & Learning and is expected to spend on budget.

2.16 Strategic Property is now included within RDR having previously been included in Finance and Resources and overall is predicting a pressure of £0.725m across non-operational buildings, operational buildings and those surplus to requirements. We are currently forecasting an under recovery of £0.302m 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.

2.17 Legal Governance and Commercial have pressures of £0.050m 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.

2.18 Strategic Services are forecasting an in-year underspend of £0.020m. This includes a pressure of £0.085m relating to Communications mainly around advertising income shortfalls and which is more than compensated for by savings in Policy & Partnerships, Management & Mayoral Support and Human Resources.

2.19 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 December 2012

Grant	**Amount** £m	**Grantor**	**Directorate**	**Council contribution required**
Peer Tutoring in Secondary Schools	0.124	Education Endowment Foundation	Children Young People and Learning	Nil
Year 7 Catch Up Premium Allocations for Maintained Schools	0.145	Education Funding Agency	Children Young People and Learning	Nil
Benefit Cap	0.096	Department for Work and Pensions	Children Young People and Learning	Nil
Council Tax Reform - Initial new burdens	0.039	Department for Communities and Local Government	Finance and Resources	Nil
Total	**0.404**			

2.20 The grants have been awarded for the following purpose:

(a) The Peer Tutoring in Secondary Schools grant is from the Education Endowment Foundation (EEF) and was considered by Cabinet in a paper on 12th November 2012. The grant is to work jointly with higher education partners to offer peer tutoring interventions to secondary schools in North Tyneside and is worth £0.520m over the period 2012/13 to 2015/16;

(b) Year 7 Catch Up Premium Allocations for Maintained Schools allocated to Local Authorities on the basis of £500 per pupil for each pupil in year 7 that did not achieve at least a level 4 in reading and/or mathematics at Key stage 2 in 2012 Key stage 2 assessments. Local Authorities must issue these funds to maintained schools on the same basis. The grant may spent by each school for the purposes of the school;

(c) The Benefit Cap grant award is for North Tyneside to support delivery of the Benefit Cap Project in Northumberland and Tyne & Wear. There is £0.096m in 2012/13 and a further £0.319m in 2013/14. This project aims to help improve employment outcomes for unemployed individuals and families facing a reduction in benefits through the Welfare reform benefit cap changes; and,

(d) Council Tax Reform - Initial new burdens funding was allocated as a fixed £0.084m in 2012/13 to all billing authorities to assist those authorities with the costs of designing their schemes following Welfare reform changes in 2012/13. This has been recently supplemented by an award of a further £0.039m.

Non Delegated Budgets

2.21 There are limited budget variations in relation to the non-delegated budgets with the exception of **Corporate Accounting**. The forecast underspend of £2.450m is primarily due to 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.

2.22 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
Budget	**3.469**	**0.230**	**3.699**
Expected usage:			
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)
Balance not allocated to specific Services	**2.719**	**0**	**2.719**

2.23 **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.

2.24 **Planning Appeals:** There is a pressure of £0.764m 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). The Wellfield scheme appeal costs provided for in 2012-13 are expected to be slightly less than previously provided.

2.25 **Flood damage:** The current estimate of the costs associated with the flooding caused on 28 June 2012 is £0.500m, a reduction of £0.500m since the report to Cabinet on 14 January 2013. The original estimate had included an estimate for emergency footpath and road repairs. These works have now been reviewed, prioritised and built into future planned works rather than having more temporary works charged to revenue in year.

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 31 January 2013 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 £0.537m 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 refinancing 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 overall, mainly in relation to furniture packs and temporary accommodation. This has dropped slightly from November following increased Right to Buy sales in the third quarter of the year, and the decommissioning of schemes in line with the timetable for the Quality Homes for Older people project.

(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 budget contributions for both 2012/13 and 2013/14 have been assumed as contributions against the Station Road and Byrness Court new-build schemes mentioned above, along with the majority of the anticipated savings on the self-financing portfolio for 2012/13.

Section 4.0
Schools Finance

School Funding reform

4.1 Finance and CYPL directorate continue to work through the requirements and implications of the national school funding reform in line with the plan reported previously. Since the last Financial Management report we have implemented a number of actions in line with the timeline shared previously and outlined below:

Date	Event
2012	
1 – 15 Oct	• Formal consultation of School Funding Reform
8 Oct evening & 9 Oct afternoon	• Briefing events to support the consultation (attended by 65 school representatives from 42 schools)
24 Oct	• Schools Forum Meeting – Final agreement on proposals
25 - 31 Oct	• Submitted agreed proposals to the EFA
4 Dec 6pm	• Update on School funding reform for Governors
11 Dec	• All schools received a briefing paper on the outcome of the process
2013	
25 Jan	• Submitted final mainstream pro-forma to EFA
30 Jan	• Maintained schools sent their 2013/14 allocations
20 Feb	• Sign off received from EFA on pro-forma

4.2 Further details on the new mainstream school funding allocations for 2013/14 were shared with the following groups:
- Schools Forum 13th February 2013;
- Children, Education and skills sub committee 18th February 2013; and,
- Finance sub committee 20th February 2013

4.3 Following issuing the mainstream school allocations from 4th February we held two weeks of school budget workshops for schools to attend and begin their detailed 2013/14 budget planning. These budget plans are required from all schools no later than 31st May 2013.

4.4 Focus now moves to concluding the High need Special educational needs (SEN) funding arrangements for 2013/14. This includes special school funding, arrangements for out of area educational placements and top up allocations to support children and young people in mainstream provision pre and post 16. The development of a regional approach to calculating and issuing funds to settings, in order to ensure as much consistency and simplicity to the funding arrangements as possible, was taken forward at regional meetings on 12th and 15th February 2013.

4.5 In addition to the School funding reform, the other items being considered by Schools Forum include:

- Restructuring the Schools Forum constitution and governance arrangements in line with the Cabinet discussion on this item on 11th March; and,
- Establishing any additional financial allocations for 2012/13 to those schools in financial difficulty.

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 January 2013.

Capital Plan Delivery

5.2 Some of the key progress areas to note to 31 January 2013 are as follows:

- Basic Need works have now been completed at Marden High School, Ivy Road Primary (phase 1), Battle Hill Primary School and Sir James Knott Nursery School with works on site at Whitley Bay High School And Whitley Lodge First School;

- On 27 November 2012, the Department for Education (DfE) announced capital funding to support revenue activities to secure early education places for two-year-olds from lower income households, North Tyneside Council were awarded £0.340m;

- External funding, £13.900m approved for essential investment in Swan Hunter site (£6.800m ERDF grant, £3.300m Homes and Community Agency Grant and £3.800m Growing Places funding);

- Planning permission has been granted for Spanish City Island development and interim improvements to site have been completed;

- Environmental improvements to Atkinson Street have been completed; and,

- As at end of January 2013, 62 private sector renovation loans have been approved via the regionally procured lender, Five Lamps (a social enterprise).

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 report, which 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 November 2012 identified reprogramming of £1.692m and variations of £3.689m which were approved by Cabinet on 9 July, 10 September, 12 November 2012 and 14 January 2013.

5.4 As part of the regular capital monitoring process during December 2012 and January 2013, budget variations of £1.720m and reprogramming of £8.226m to the 2012/13 plan have been identified. Further, variations of £1.223m to future years' budgets have been included to reflect additional grants awarded. **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
Approved Capital Plan – Council 1 March 2012	**43.734**	**35.142**	**32.401**	**234.909**	**346.186**
Reprogramming and other variations previously approved by Cabinet	16.458	1.592	0.100	0	18.150
Approved Capital Plan – Cabinet 14 January 2013	**60.192**	**36.734**	**32.501**	**234.909**	**364.336**
Dec/Jan Reprogramming	-8.226	8.226	0	0	0
Dec/Jan Variations	1.720	1.010	0.213	0	2.943
Revised Capital Plan	**53.686**	**45.970**	**32.714**	**234.909**	**367.279**

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 £1.720m variation for 2012/13 are shown below:

(a) **EV055 Surface Water Management Improvements, £0.100m** – Additional funding from New Homes Bonus to finance infrastructure assets;

(b) **DV018 Fish Quay Environmental Improvements, £0.030m** – A ring-fenced capital receipt has been generated from the granting long lease for the Ballard Smoke House building. This is to be used to fund the demolition of the Frank Round building on the North Shields Fish Quay;

(c) **ED075 Schools Devolved Formula Capital, £0.030m** – The ring-fenced receipt for the sale of land at Langley First School, that was generated in 2011/12 has been released for inclusion in the capital plan;

(d) **DV058 Swan Hunters Redevelopment, £1.490m –** Variation to reflect the 2012/13 element of the ERDF grant £0.745m, and Growing Places Funding £0.745m;

(e) **HS011 HRA Mechanical & Electrical Works, £0.500m** – Delays in the Hedley Place works, now being delivered in 2013/14, has allowed some of the 2013/14 heating schemes to be brought forward;

(f) **HS015 HRA Refurbishment, £0.500m credit –** Budget variation is due to the Hedley Place works now being delivered in 2013/14; and,

(g) **DV054 Coastal Development, £0.070m** – 2012/13 Element of the Coastal Communities grant awarded for the regeneration of the coastal areas of North Tyneside.

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

5.7 The reprogramming to the end of January was £8.226m. In the main this related to the following schemes:

(a) **ED075 Schools Devolved Formula Capital, £0.500m** – Use of funding is at the schools discretion. Funding can be used over a three year period;

(b) **ED120 Basic Need**, **£1.500m** – The project delivery has been phased over two financial years to maximise development works during the school holiday periods;

(c) **ED173 Children's Placement Strategy, £0.263m** – Options are being considered for the 2012/13 grant allocation. Under the terms of the grant reprogramming is allowed;

(d) **ED177 Youth Facilities, £0.500m** – Due to a further review of grant bids that have either been deferred or grant bids requiring further information, reprogramming is necessary until the individual projects are approved;

(e) **CO061 Excellent Parks, £3.512m** – Contractors are due on site at Northumberland Park in August 2013; the reprogramming reflects the current timetable of planned works at both Wallsend Park and Souter/Churchill Park project;

(f) **IT020 ICT Strategy, £0.140m** –The Customer Relationship Manager project is not expected to meet its final milestone until the next financial year due to issues finalising the contract specification ;

(g) **HS015 HRA Refurbishment, £0.541m** – Lower volume of works required to Knotts Flats than anticipated. Conversion and Improvement works within the Recreation Works programme have caused delays to the project;

(h) **HS017 Disabled Adaptations, £0.115m –** Reprogramming due to delays in the completion of Level Access Shower works**;**

(i) **HS043 Supplementary Schemes, £0.188m** - Delays the scoping and design of projects within the Environmental works has resulted in reprogramming; and,

(j) **North Shields Customer First Centre, £0.793m** - The reprogramming is required to fund the fit out of the Customer Service Centre which will not be completed until 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**
Approved Capital Plan – Cabinet 14 January 2013	**60.192**	**36.734**	**32.501**	**234.909**	**364.336**
Grants and Contributions	-1.801	4.371	0.213	0	2.783
Unsupported Borrowing	-1.621	1.621	0	0	0
Capital Receipts – General Fund	-2.340	2.400	0	0	0.060
Capital Receipts – Housing	-0.864	0.844	0	0	-0.020
Revenue Contribution – Housing	0	0	0	0	0
Grants and Contributions - Housing	0.020	0	0	0	0.020
Revenue Contribution – New Homes Bonus	0.100	0	0	0	0.100
Major Repairs Reserve	0	0	0	0	0
Total Financing Variations	**-6.506**	**9.236**	**0.213**	**0**	**2.943**
Revised 2012/13 Capital Plan	**53.686**	**45.970**	**32.714**	**234.909**	**367.279**

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 now has been applied to the Capital Plan.

5.11 To finance the 2012/13 Capital Plan the capital receipts required are £7.134m. To date, £0.744m has been received in 2012/13. This together with the receipts carried forward from 2011/12, leaves a balance of receipts to be generated for the General Fund of £6.360m.

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

	General Fund £m
Current Requirement	7.134
Useable Receipts Brought Forward	-0.030
Useable Receipts Received	-0.744
Balance to be generated	**6.360**

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 £1.572m. Capital receipts brought forward are sufficient to cover this with a surplus of £2.608m to carry forward into 2013/14.

5.14 In addition, to date, £3.401m 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 third quarter i.e. December 2012, £3.003m of receipts had been realised and allocated provisionally.

Capital Plan Monitoring Position to 31 January 2013

5.15 Actual expenditure in the General Ledger was £29.598m (55.2%) of the total revised Capital Plan as at 31 January 2013.

Table 7: 2012/13 Total Capital Plan Budget and Expenditure to 31 January 2013

	2012/13 Revised Capital Plan £m	Actual Spend to 31 January 2013 £m	**Spend as % of Total Revised Capital Budget** %
General Fund	34.779	18.088	52.0
Housing	18.837	11.510	61.1
TOTAL	**53.616**	**29.598**	**55.2**

5.16 Comparative figures for 2011/12 to the end of January 2012 were 59.0% (General Fund 56.1% and Housing 65.9%).