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Section 1.0
Executive Summary

1.1 This is the fourth report to Cabinet for 2013/14, setting out the Authority's financial position as at the 30 November 2013.

1.2 This report includes details of the forecast outturn position to the 31 March 2014, highlighting key strategic issues to be managed by the Authority during the year.

Strategic Management of the Council's Budget

1.3 The budget for 2013/14 was approved by full Council at its meeting of 5 March 2013. The net General Fund revenue budget was set at £177.132m, this included CEI savings of £12.240m to be achieved.

1.4 The Capital Plan level of expenditure for 2013/14 was approved at £55.849m. Further reprogramming and variations were approved by Cabinet through the budget monitoring and outturn reports (£9.236m on 11 March 2013, £12.365m on 10 June 2013, £0.873m on 8 July 2013, £0.127m on 9 September 2013 and £10.553m credit on 11 November 2013). Also full Council approved an additional allocation of £0.200m for Longbenton Voluntary Aided Schools on 21 March 2013, and £0.607m for Vehicle replacements (£0.600m for 2014/15) on 25 July 2013. This gave a total approved capital plan for 2013/14 of £68.704m.

1.5 The current forecast outturn for the General Fund revenue budget reflects in-year pressures of £0.741m after the allocation of part of the contingencies budget (see paragraph 2.19 Table 3). The Service 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 Housing Revenue Account (HRA) is forecasting an underspend of £0.211m for the year.

1.7 In the period to 30 November 2013, the level of capital spend posted within the General Ledger was £29.562m, which represents 48.5% of the revised Capital Plan for the year, a slight increase on the comparative spend for 2012/13.

1.8 Cabinet are recommended to approve reprogramming of £7.171m and variations of £2.750m credit (£0.564m credit in 2013/14) to the 2013-23 Capital Plan. Full details can be found in paragraphs 5.5 and 5.6 of this annex. Cabinet are also requested to note the allocation of £0.007m of the Capital Contingencies budget as outlined in paragraph 5.7 of this annex.

Strategic Issues

1.9 As in previous years, over and above the management of the Authority'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.

<u>Change Improvement and Efficiency Programme</u>

1.10 The budget for 2013/14 included savings of £12.240m, 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.

1.11 The scale of the financial challenge for the year meant that wide ranging efficiencies and service reconfiguration were required to be implemented during 2013/14. It is important that these CEI savings are monitored as part of the overall financial position of the Authority so the bottom line financial position is known. Regular updates of progress on the CEI projects are shared with the Mayor and Cabinet.

1.12 It is 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. The CEI progress report to Overview and Scrutiny on 4 November 2013 was included in the September Financial Monitoring report.

<u>Redundancies</u>

1.13 At the end of September 2013 the Authority issued a HR1 notice, setting out the potential need to reduce up to 250 posts in light of spending reductions in future years. In terms of the costs associated with restructuring and redundancy, accounting standards require that we make provision for estimated redundancy costs, therefore included in this report is a provision for £1.400m.

1.14 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. However, as explained in paragraph 1.19 below the current estimate of costs would fall below the deminimus level, meaning that the option for capitalisation would not be available. Therefore, £1.400m has been included as an exceptional item in Table 1 below to reflect current estimates.

<u>Equal Pay and Equal Value</u>

1.15 The 2012/13 Annual Financial Report included a provision of £9.080m 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. Any additional claims above the provision would need to be funded either from reserves or capital receipts.

1.16 As explained in previous reports, Equal Pay payments can now be financed from capital receipts, in addition to the revenue financing previously allowed. The Department for Communities and Local Government have also introduced a capitalisation process for 2013/14. Further details can be found in paragraph 1.19 below.

Financing of the Capital Plan

1.17 After taking account of changes in funding arising from the proposed amendments to the Capital Plan and the level of capital receipts received to date, £1.348m of general fund capital receipts still need to be generated in the year.

1.18 During 2012/13 the total General Fund capital receipts received was £1.913m.

Capitalisations

1.19 On 25 July 2013, the Department for Communities and Local Government (CLG) published the guidance for capitalisation in 2013/14, setting out the timetable, process and criteria for local authorities wishing to apply for capitalisation this year. This process includes the costs of Equal Pay as well as restructuring and transformation. There is only £100m available for capitalisation nationally and the criteria is very stringent. Amongst the criteria is an affordability criteria whereby new claims for Equal Pay would need to exceed around £9.6m and for restructuring and transformation costs would need to exceed £4.8m. Only costs above this would qualify to be capitalised. As these thresholds are not likely to be reached no application was made for capitalisation in 2013/14.

1.20 In addition to the capitalisation process described in paragraph 1.19, CLG also consulted on proposals to allow the use of capital receipts to pay for one off costs of service reforms. As part of the Autumn Statement, it was confirmed that capitalisations will be available for future years with further details to follow.

Welfare Reform

1.21 1 April 2013 saw the introduction of a number of changes as part of the wider welfare reforms introduced by Central Government. In recognising the risks associated with the implementation of welfare reform the Authority and its' partners have established a number of internal and cross partner working groups that meet regularly to consider and monitor the impact of the reforms across the borough.

1.22 The Mayor's task group continues to meet regularly to monitor the position on all aspects arising from the implementation of welfare reform.

Section 2.0
General Fund Income and Expenditure

2.1 This section of the report details the current budget pressures identified by Services 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 £0.741m.

2.2 The budget monitoring is based on the recorded transactions as at 30 November 2013 and is set out in Table 1 below. Table 1 is supplemented by a summary commentary below, covering the key variances by Service. The detailed **Appendices (A - C)** set out variations by Service Area.

Table 1: 2013/14 General Fund Revenue Budget Forecast to 31 March 2014

			Full Year Budget	Forecast Outturn	Forecast Outturn Variance Nov 2013	Forecast Outturn Variance Sep 2013
			£m	£m	£m	£m
1	**Chief Executive's Office:**					
	Business and Economy	Appendix A(i)	0.797	0.763	-0.034	-0.042
	Chief Executive's Office	Appendix A(ii)	3.716	3.808	0.092	0.096
	Finance and Commercial Services	Appendix A(iii)	13.791	13.791	0.000	-0.004
	Law and Governance	Appendix A(iv)	3.007	3.050	0.043	0.059
	Public Health	Appendix A(v)	0.000	0.000	0.000	0.000
	Non-Controllable		-14.150	-14.150	0.000	0.000
			7.161	**7.262**	**0.101**	**0.109**
2	**Deputy Chief Executive's Office:**					
	Adult Social Care	Appendix B(i)	54.181	54.144	-0.037	0.089
	Children, Young People and Learning	Appendix B(ii)	17.939	18.663	0.724	0.895
	Commissioning and Fair Access	Appendix B(iii)	7.107	7.640	0.533	0.187
	Deputy Chief Executive Central Costs	Appendix B(iv)	0.281	0.224	-0.057	-0.050
	Environment and Leisure	Appendix B(iv)	33.147	33.792	0.645	0.718
	Housing General Fund	Appendix B(iv)	0.831	0.794	-0.037	-0.031
	Non-Controllable		21.617	21.617	0.000	0.000
			135.103	**136.874**	**1.771**	**1.808**
Sub Total - Service- Approved Budget			**142.264**	**144.136**	**1.872**	**1.917**

Table 1 continued

			Full Year Budget	Forecast Outturn	Forecast Outturn Variance Nov 2013	Forecast Outturn Variance Sep 2013
			£m	£m	£m	£m
3	Corporate and Democratic Core	Appendix C	9.838	10.187	0.349	0.000
4	Corporate Accounting	Appendix C	3.565	0.212	-3.353	-3.371
5	Contingency Budget	Appendix C	2.422	1.894	-0.528	0.000
6	Levies	Appendix C	13.076	13.076	0.000	0.000
7	Utilities		0.000	0.601	0.601	0.562
8	Staff Capitalisation		0.000	0.400	0.400	0.400
9	Non-Controllable	Appendix C	5.967	5.967	0.000	0.000
Sub-total- non delegated budgets			**34.868**	**32.337**	**-2.531**	**-2.409**
Net Forecast pressure/(surplus) after application of reserves			**177.132**	**176.473**	**-0.659**	**-0.492**
Exceptional items						
10	Redundancies		0.000	1.400	1.400	1.400
Net Forecast pressure/(surplus) after exceptional items			**177.132**	**177.873**	**0.741**	**0.908**

<u>**Services**</u>

2.3 The **Chief Executive's Office** is currently reporting in-year pressures of £0.101m. (September 2013 £0.109m) This service has been formed following the senior management restructure and brings together Business and Economy, Chief Executive's Office, Finance and Commercial Services, Law and Governance and Public Health.

2.4 **Business and Economy** is showing a small forecast underspend (£0.034m) largely as a result of savings from training and supplies and services. The full analysis is included as **Appendix A(i)**.

2.5 The **Chief Executive's Office** has an overall forecast pressure of £0.092 including £0.083m which reflects the decision to appoint a new full-time Chief Executive who took up the position early in November 2013. The previous interim Chief Executive stayed until his contract ended at the end of November to provide continuity. £0.117m of pressure relates to Communications mainly around advertising income shortfalls which is compensated for in part by planned underspends within Policy and Partnerships, Engagement and Management and Mayoral Support. There is also a saving within Human Resources (£0.046m) from reduced working hours and some maternity leave savings. The full analysis is included as **Appendix A(ii)**

2.6 The area of **Finance and Commercial Services** is currently reporting a forecast balanced budget. Within this balanced overall position the Service continues to seek to contain budget pressures associated with the CEI projects for Trading Income Opportunities and Street lighting both of which are currently highlighted as a "Amber" rated CEI projects. The pressures associated with these projects are currently offset by other savings across the Service. The areas of variance are outlined in **Appendix A(iii)**.

It should be noted that the current projection for Finance and Commercial Services continues to assume any underspend on Discretionary Housing payments (DHP) at the year end will be carried forward for use in 2014/15, subject to the Authority's overall position at year end. The current actual and committed spend against DHP is £0.276m, leaving an available fund of £0.553m.

Part of the budget monitoring in this service includes reviewing the position on Housing Benefit payments which are funded through subsidy from the Department of Work and Pensions (DWP). Variances in the timeliness of changes of circumstances associated with an individual's benefit payment can result in material variances at the year end which can impact the level of subsidy received by the authority. We are working with our partners Cofely GDF Suez to minimise any adverse impact this may have upon the authority.

2.7 **Law and Governance** have pressures of £0.043m and managers in these areas continue to identify mitigating reductions in discretionary spend and are seeking any appropriate opportunities to generate additional income. The full analysis is included as **Appendix A(iv)**

2.8 The **Public Health** Service within the Local Authority came into existence for the first time in 2013/14 following the transfer of responsibilities from the National Health Service on the dissolution of the Primary Care Trust. The budget is ring-fenced and is forecasting to spend within budget overall. Underspends in budgets from staffing, recharges for NHS Health Checks by GPs (where demand so far is less than in previous years) and the extension of the Community Alcohol Service pilot scheme into 2013/14 are being used to offset potential pressures from potential charges for contracts via GPs for nicotine replacement treatment and the contraceptive device fitting service. A decision on these items is awaited from the Department of Health. The projected year-end position and variance analysis for November 2013 is attached as **Appendix A(v)** to this report.

2.9 The **Deputy Chief Executive's Office** is currently reporting in-year pressures of £1.771m. (September 2013 £1.808m) This service has been formed following the senior management restructure and brings together the services formerly within Community Services and Children Young People and Learning and those services managed on the authority's behalf by Capita.

2.10 **Adult Social Care** (ASC) is reporting a small forecast underspend (£0.037m) after the transfer to the service of £1.902m previously held in contingencies. All of the necessary actions have taken place to realise the planned savings and, although the service continues to experience demand-led pressures particularly in Learning

Disabilities and Mental Health Services, there has continued to be an underlying improvement in the forecast position following detailed placement reviews, which has in turn allowed a reduction on the call from contingencies. In addition the costs for a number of Independent Supported Living packages have been successfully managed down with providers to reduce the number of support hours required and consolidating a small number of costly void places. The September position included a prudent reduction in forecasted income from the Clinical Commissioning Group due to a dispute which has now been resolved in the authority's favour and has again reduced the call on contingencies. The full analysis is included as **Appendix B(i)**

The ASC current forecast outturn position is based on an assumption that the budget for Local Welfare Provision will be spent by the year end. At the end of the first eight months committed expenditure was £0.029m but we are unsure whether the winter will substantially increase demand. Authorities provide a service that is different to that previously run by the Department of Works and Pensions as the Crisis Loans scheme and nationally the picture being seen continues to reflect that demand for this support has fallen away. Cabinet Member and partners continue to work together to determine what more can be done.

2.11 The **Children Young People and Learning** Service are forecasting budget pressure in relation to Corporate parenting and placements and grant income, although these are partially offset by forecast savings across other areas of the service. A brief description of key areas is shown below with a full analysis included as part of **Appendix B(ii).**

The demand-led area of Corporate parenting and placements (Looked after Children) has been an area of historic overspend and remains a key area of management focus. In setting the 2013/14 budget CYPL originally identified a likely pressure of at least £0.700m. 65% of this, i.e. £0.455m, was added to the Corporate Contingency in 2013/14 for this. Having now applied this contingency of £0.455m the area is forecasting a remaining pressure of £0.658m. The number of expensive Out of Borough placements has been kept to a minimum and has reduced again from 23 in July and 19 at September, to 18 at November.

There is a budget pressure of £0.309m associated with grant income expectations in this service, as explained in the September report. No further grant opportunities have emerged since September.

2.12 The **Commissioning and Fair access** service are forecasting budget pressure in relation to Catering Services and Education Capital and Fair Access (Home to school transport), although these are partially offset by forecast savings across other areas of the service. A brief description of key areas is shown below with a full analysis is included as part of **Appendix B(iii).**

The main area of change since the September report is in Catering Services. The September report highlighted a potential pressure this year of £0.271m. The service has faced inflationary pressure on provisions of circa 24% since 2008. Despite achieving increases in income and realising reduced staff costs over this period there is now a forecast pressure on the budget of £0.493m (including £0.366m in relation to school meals; £0.080m Community meals).

The forecast pressure of £0.295m in Children's Disability Services (Home to school transport) remains in keeping with the position reported since the start of the year. When setting the 2013/14 budget CYPL originally identified likely pressure of at least £0.300m in this area, particularly related to home to school transport. 65% of this, i.e. £0.195m, was added to the Contingency budget in 2013/14 in relation to this. Having now applied this contingency of £0.195m the area is forecasting a remaining pressure of £0.100m. A full analysis of costs associated with Home to school transport has been conducted since the start of the new academic year. All individual travel plans have been challenged and independent travel trainers remain in place, however despite these efforts this has only confirmed the likely pressure forecast previously.

2.13 The **Deputy Chief Executive Central Costs** are forecast to deliver savings of £0.057m as a result of planned reductions in office expenses, travelling and conference fees. The full analysis is included as part of **Appendix B(iv)**

2.14 **Environment and Leisure** is forecasting a pressure of £0.645m (September 2013 £0.718m). The majority of the pressure (£0.561m) arises within Property. This includes a pressure of £0.175m relating to a National Non-Domestic Rates (NNDR) rebates income target that is not expected to be achieved in the current round of rating revaluations anticipated during 2013/14, a pressure at the Swan Hunter site (£0.285m) mainly due to the reduction in expected income whilst the regeneration work is underway and a backdated rent liability for Quadrant West (£0.111m).

£0.450m of transport pressures are being forecast in Street Environment, which are compensated in part by an in-year over-recovery forecast on the Transport Account included within the £0.295m underspend in Fleet and Security due to the further extension of useful lives of vehicles.

The Bereavement service forecast outturn is based on the assumption that any additional bereavement income generated will be ring-fenced to support the capital costs of replacing the cremators and upgrading the Tynemouth crematorium (as agreed by Cabinet 20 May 2013).

There continue to be some residual pressures within Leisure Services from the operating model savings in 2012/13 and 2013/14 which have not as yet proved possible to deliver for community centres and some other community assets. Work continues to identify additional contingency plans to bring this pressure down. The full analysis is included as part of **Appendix B(iv)**

2.15 The **Housing Services (General Fund)** is forecast to deliver savings of £0.037m as a result of increased income within General Fund Housing and staff savings within Housing Strategy which has transferred, as part of the restructure, from Business and Employment. The full analysis is included as part of **Appendix B(iv).**

2.16 The following table sets out a summary of revenue grants, which Cabinet are requested to approve, that have been awarded since the report to 30 September presented to Cabinet on 11 November 2013. The details of these grant changes are set out in **Appendix G.** All new capital grants are included in the capital variations (Table 4) of this report.

Table 2: 2013/14 Revenue Grants awarded since 1 October 2013

Service	Amount £m
Children, Young People and Learning	0.076
Environment and Leisure	0.057
Total	0.133

Non Delegated Budgets

2.17 The **Corporate and Democratic Core** is forecasting a pressure of £0.349m. This has arisen as a result of the authority, as guarantor, being required to contribute to pension shortfalls in respect of Childcare Enterprises (£0.149m) and Wallsend Memorial Hall (estimated £0.200m).

2.18 **Corporate Accounting** is forecasting an underspend of £3.353nm is in respect of a saving in Minimum Revenue Provision (MRP) of £1.137m as a result of re-programming during 2012/13 and a review of asset lives assumed for 2012/13 spend, expected savings in external interest of £2.497m also largely as a result of re-programming, lower interest rates than anticipated at budget setting time and the continued level of internal borrowing, and pressures of £0.250m relating to savings from the Review of Terms and Conditions not expected to be achieved.

2.19 This section also includes the **Contingency** budget of £5.515m. The allocation of this budget to services is shown in Table 3 below. This leaves a balance of £2.422m currently unallocated to Services. It has been assumed that this budget will be fully allocated by the year end apart from £0.528m comprising Council Tax Freeze Grant (£0.130m), potential shortfall in Business Rates Growth (£0.198m) and Members Allowances (£0.200m). The projected underspend of £0.528m is shown in Table 1 above.

Table 3: 2013/14 Contingency Budget

	Base Budget £m	Budget transferred to Services £m	Balance remaining (unallocated) £m
Care Home Inflation (100%)	0.300	0.000	0.300
Homecare Inflation (100%)	0.150	0.000	0.150
Members Allowances (100%)	0.200	0.000	0.200
Addition to Contingencies for Pay Award (1%)	0.517	0.517	0.000
Flood Fund	0.250	0.024	0.226
Looked after Children Placements (65%)	0.455	0.455	0.000

Children with Disabilities and Complex Needs (65%)	0.195	0.195	0.000
Learning Disability Service - In Year Growth (65%)	0.975	0.717	0.258
Learning Disability Service - Underlying Placements Shortfall (65%)	1.625	1.185	0.440
Mental and Physical Disability Service - Underlying Placements Shortfall (65%)	0.325	0.000	0.325
Dementia (65%)	0.195	0.000	0.195
Council Tax Freeze Grant	0.130	0.000	0.130
Increase in Contingencies for potential shortfall in Business Rates Growth	0.198	0.000	0.198
Total Contingencies budget 2013/14	**5.515**	**3.093**	**2.422**

2.20 **Utility Costs** remain a significant issue for the authority in respect of potential pressures being faced during 2013/14. 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.

2.21 **Exceptional items** As outlined in paragraphs 1.13 and 1.14 above it is anticipated that it will be necessary to set up a provision of £1.400m in the 2013/14 accounts to recognise the potential costs of redundancies incurred as part of the restructuring of services. This cost has been reflected in Table1.

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 Authority's Housing Revenue Account (HRA). The projected year-end position and variance analysis for November 2013 are attached as **Appendix D** to this report.

3.2 On the 16 January 2013 the Cabinet approved the HRA budget for 2013/14. This included an average increase in housing rents of 5.81% 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 £0.578m higher than anticipated opening balances ie £2.200m as opposed to the budgeted figure of £1.622m, and the current expectation is that the in-year position will be £0.211m better than budget.

3.4 The main significant variations anticipated in the budget at this stage are in relation to the Authority's HRA debt portfolio, the impact of Treasury Management decisions and Right to Buy (RTB) sales on related costs, Bad Debt Provision in relation to rent arrears, and the implications of the continued delays to the Quality Homes for Older People project.

Treasury Management - It is currently estimated that an additional £0.086m of interest savings will be achieved, from a combination of some temporary borrowing at low interest rates, and the interest benefit from having additional debt set aside from the extra Right to Buy (RTB) sales in 2012/13. This saving will increase the estimated transfer to the House-building Fund at year-end once the final HRA accounts for 2013/14 have been closed, from £0.717m to £0.803m.

Quality Homes for Older People (QHfOP) – because of the continued delays in the achievement of financial close on this project; this will have significant in-year impact on the HRA. There will be a significantly reduced call on the in-year contributions required from the affordability and unitary charge contributions, which are currently held in the Repairs budget estimated at £0.535m, this will be partially offset by an increased Depreciation charge of £0.202m, which reflects the assumption that the authority is still responsible for the major repairs elements for the sheltered stock until project commencement. The net saving of £0.333m which will be confirmed after financial close is reached, is assumed will accrue as an additional contribution to the House-building Fund in-year to fund future Council House new build.

3.5 **Impact of Welfare Reform.**
The main changes introduced under the Government's Welfare Reforms in 2012/13 relate to what has become known as the "bedroom tax". This policy currently affects around 2,250 of our tenants on Housing Benefit, of whom approximately 1,285 are in arrears totalling £0.323m. This is an increase of approximately £0.043m from the start of the year, and overall current arrears have increased by around £0.190m to just over £1.523m. There has also been an increase in the amount of former arrears, which has increased to-date in-year by £0.075m. These changes to-date are mitigated by the increased bad debt provision that was made in the budget for this year, however it is estimated that the call on the bad debt

provision will be at least £0.078m less than budgeted in-year. The introduction of Universal Credit from October 2013 and the direct payment of benefits to tenants, was expected to have a more significant impact on rent arrears, however, it appears that the implementation may now be delayed by at least 6 months, and any implementation is likely to be phased.

3.6 **House-building Fund**.

As agreed by Council on 15 February 2012 a new House-building Fund was set up in 2012/13, to fund the cost of new build housing and environmental works. The initial contribution to this fund came 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, as well as any under spend on the HRA Grounds Maintenance budget. For 2012/13 this resulted in total contributions to the fund for 2012/13 of £1.019m. Of this sum, £0.823m has been committed towards the costs of the Station Road and Byrness Court new build schemes, due for completion in 2013/14. For 2013/14 it is currently estimated that a total additional contribution of £1.136m will be made to the fund at year-end as explained above, which will fund spend in future years.

Section 4.0
Schools Finance

2013/14 School budgets

4.1 Budget monitoring has been conducted with all schools in the Autumn term. Follow up meetings have been held with a number of schools including the four schools with deficit approval for 2013/14 budgets i.e. Longbenton Community College, Norham High, St Bartholomews RC Primary and Monkhouse Primary. The forecast position continues to show all schools in North Tyneside are broadly performing in line with their original budget plans, although there are a number of schools whose position has slightly worsened. The position will be monitored again in the Spring term.

4.2 Funding for special educational needs (SEN) remains a concern for schools in North Tyneside with some schools believing the formula does not aquately direct sufficient funds to support this group of children. In line with the Department for Education expectations we are reviewing our SEN funding for 2013/14 and considering if there are any schools with exceptional SEN circumstances who would justify an additional top up of funding (from the Dedicated Schools Grant). We will be discussing this issue with a group of schools on 9 January 2014 and then with the Schools Forum on 15 January 2014 before determining any further allocations in 2013/14.

4.3 In an ongoing effort to achieve more from their budgets we are aware that schools can be attracted by companies towards loan or lease arrangements for items such as photocopiers, IT equipment, solar panels and i-pads. Maintained schools have been recently reminded that before entering into such arrangements they should ensure:

- They are operating legally – schools are not ordinarily allowed to take loans (many leases are a loan);
- The arrangement represents good Value for Money overall; and,
- They know how to account appropriately for the arrangement.

4.4 The position on school lease arrangements is collated annually as part of the final accounts process.

Progress in relation to 2014/15 School funding

4.5 We continue to follow the timetable set out in the July budget report regarding progress in relation to 2014/15 School funding and have met all deadlines to date. This is replicated below again for ease of reference:

Date	Action
25 September 2013	Schools Forum consider formula changes for 2014/15
30 September to 17 October 2013	Wider School consultation on proposed 2014/15 changes
23 October 2013	Schools Forum meeting agree changes for 2014/15
31 October 2013	Local authorities submit provisional Schools Budget pro forma to the Education Funding Agency (EFA)
10 December 2013	EFA issue pupil data and formula factors to Local Authorities

18 December 2013	EFA confirms School block Dedicated Schools Grant (DSG) allocations for 2014/15 (prior to recoupment of funding for academies)
23 December 2013	Local authorities submit 2014 to 2015 academic year High need SEN place numbers and submissions to the EFA
15 January 2014	Schools Forum meet to finalise 2014/15 arrangements for: • The distribution of the DSG over the 3 allowed blocks; • Centrally retained items; • The 2014/15 Mainstream school funding formula; and, • Agreed de-delegated items for 2014/15
21 January 2014	Local authorities submit final data for Schools Budget pro forma
28 February 2014	Local authorities confirm budget to maintained schools
By 31 March 2014	EFA calculate allocations of place funding for institutions and DSG high needs block funding for Local authorities

Section 5.0
Capital Plan Expenditure and Financing

Review of Capital Plan - Position Statement

5.1 The Authority's Capital Plan represents the capital investment in projects across all service areas. This report summarises activities up to 30 November 2013.

Capital Plan Delivery

5.2 Some of the key progress areas to note to 30 November 2013 are as follows:

- New facilities at Hadrian Park Primary School have been officially opened by the Elected Mayor;

- Completion of the 2013/14 Schools Capital Maintenance Investment Programme with ongoing snagging reviews of all work programmes and work packages;

- The main contractor is now on site at Northumberland Park. The tree work has commenced and will continue until the spring The lake has been drained and up to 1 metre depth of silt is being removed, also bowling green works have commenced;

- The restoration of the Old Low Light building and the Clifford's Fort Public Realm improvements have been completed;

- New housing on the former Park House Housing Office site has commenced;

- Offsite junction improvements around the Swan Hunters Site have been completed;

- 108 Disabled Facilities Grants (DFG) have been approved in 2013/14, of which 64 have been completed. There have been a further 143 DFG Emergency Type A2 works approved and completed to date;

- Included in the Planned Maintenance Programme, 4 school kitchen improvement schemes are now complete. The works to Marden Bridge Sports Hall floor has been completed and the Complete Growth project is nearing completion;

- The first Energy Project has been finished at the Parks Sports Centre; and

- As part of the ICT Refresh programme the first phase of desktop refresh has been rolled out, a major upgrade to the storage, server and Citrix hardware has been installed and the IDOX uniform platform has been upgraded.

Variations to the 2013/14 Capital Plan

5.3 As part of the regular capital monitoring process during October and November 2013 there has been £7.171m reprogramming reported and £0.564m credit variations to the 2013/14 Capital Plan (£2.750m credit to the 10 year Capital Plan).

Table 4 details the changes to the approved 10-year Capital Plan, as agreed at Council on 5 March 2013.

Table 4: 2013 - 2023 Capital Plan changes identified

	2013/14 £m	2014/15 £m	2015/16 £m	2016/23 £m	Total £m
Approved Capital Plan – Council 5 March 2013	**55.849**	**49.667**	**35.761**	**246.025**	**387.302**
Previously Approved Reprogramming					
Cabinet 11 March 2013	8.226	0	0	0	8.226
Cabinet 10 June 2013	12.365	0	0	0	12.365
Cabinet 3 July 2013	-0.600	0.600	0	0	0
Cabinet 9 September 2013	-0.095	0.095	0	0	0
Cabinet 11 November 2013	-7.565	6.948	0.617	0	0
Total Reprogramming	12.331	7.643	0.617	0	20.591
Previously Approved Variations					
Cabinet 11 March 2013	1.010	0	0	0	1.010
Council 14 March 2013	0.200	0	0	0	0.200
Cabinet 3 July 2013	1.473	1.111	0	0	2.584
Council 23 July 2013	0.607	0.600	0	0	1.207
Cabinet 9 September 2013	0.222	0	0	0	0.222
Cabinet 11 November 2013	-2.988	-0.148	0	0	-3.136
Total Variations	0.524	1.563	0	0	2.087
Approved Capital Plan – Cabinet 11 November	**68.704**	**58.873**	**36.378**	**246.025**	**409.980**
October/November Reprogramming	-7.171	7.171	0	0	0
October/November Variations	-0.564	-1.535	-0.651	0	-2.750
Revised Capital Plan	**60.969**	**64.509**	**35.727**	**246.025**	**407.230**

5.4 The variations on the individual schemes are shown in **Appendix E. Appendix F** details the whole of the revised Capital Plan, taking into account the reported changes.

Details of changes to the 2013/14 Capital Plan

5.5 For 2013/14, total variations to the end of November 2013 of £0.564m credit have been identified. The details of the main changes are shown below:

(a) **ED174 River Tyne Energy Innovation, £1.128m credit (£4.849m 2013-23)** – As set out in the Jupiter PaRC@SwansBusiness Incubation Centre report to this Cabinet, a review of this proposal has determined that the specification of this project no longer fits with the delivery of the Council Plan priorities. The identified funding has been aligned to other projects. Namely, the Swan Hunter Redevelopment project on the 2013-23 Capital Plan and the Schools Reorganisation project on the draft 2014-18 Investment Plan reserve list;

(b) **DV058 Swan Hunter Redevelopment, £0.564m (£2.099m 2013-23)** – See point (a) above. This variation relates to the ERDF funding element from the River Tyne Energy Innovation project, this has also been reprogrammed into 2014/15;

(c) **ED184 Early Education for two year old, £0.050m / ED132 LEA Formula Capital Maintenance Programme, £0.050m credit** – There has been a transfer of funding from the Capital Maintenance Programme grant to support the internal alteration and refurbishment works at Norham Children's Centre;

(d) **HS011 HRA Mechanical and Electrical Works, £0.200m** – Increased works on boiler replacements are being financed by savings in HS015 Major Refurbishment Works; and

(e) **HS015 HRA Major Refurbishment Works, £0.200m credit** – Savings being used to fund additional works in Mechanical and Electrical Works.

Details of all the variations are shown in **Appendix E**

5.6 There was reprogramming of £7.171m reported to the end of November 2013. The details of the changes are shown below:

(a) **HS004 Disabled Facilities Grant, £0.138m debit** – Reversal of previously reprogrammed Council Contribution to match expected commitments on the project; and

(b) **DV058 Swan Hunters Redevelopment, £7.309m** –The programme of works have been revised following the submission of the detailed design work, therefore the estimated spend profile has changed to reflect this. There is no change to external funding grant conditions. Reprogramming also includes £0.564m transferred from the River Tyne Energy Innovation project as detailed in paragraphs 5.5(a) and 5.5(b) above.

5.7 In addition to the variations detailed in 5.5 above, there has been an approval from Capital Contingencies for the following project:

(a) **ST013 Wallsend Customer First Centre, £0.007m** – The contingency allocation is to fund the installation of a wireless system in the newly refurbished Centre, that could not be met from within the existing budgets.

This leaves an unallocated balance in capital contingencies of £0.466m.

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

Table 5: Impact of variations on Capital financing 2013-2023

	2013/14 £m	2014/15 £m	2015/16 £m	2016/23 £m	Total £m
Approved Capital Plan – Cabinet 11 November 2013	**68.704**	**58.873**	**36.378**	**246.025**	**409.980**
Grants and Contributions	-7.309	7.309	0	0	0
Capital Receipts – General Fund	-0.426	-1.673	-0.651	0	-2.750
Contribution from Revenues	0	0	0	0	0
Contribution from Revenue – Housing Revenue Account	0	0	0	0	0
Total Financing Variations	**-7.735**	**5.636**	**-0.651**	**0**	**-2.750**
Revised 2013/14 Capital Plan	**60.969**	**64.509**	**35.727**	**246.025**	**407.230**

Capital receipts – General Fund

5.9 General Fund Capital Receipts brought forward at 1 April 2013 were £0.023m.

5.10 The capital receipts approved by Council on 5 March 2013 to finance the 2013/14 Capital Plan were £8.914m. After taking into account previously reported reprogramming and variations, the total requirement reported to Cabinet on 11 November 2013 was £2.080m.

5.11 As part of the reprogramming and variations reported above, the capital receipts requirement for 2013/14 has decreased by £0.426m to £1.654m.

5.12 To date, £0.690m receipts have been received in 2013/14. Included in this value is £0.407m in respect of a premium received on the granting of a long term lease which is to be ring-fenced to the Swan Hunters Redevelopment capital project. Therefore, useable receipts generated in 2013/14 are £0.283m and this leaves a balance of receipts to be generated for the General Fund of £1.348m.

Table 6: Capital Receipt Requirement 2013/14 – General Fund

	General Fund £m
Requirement reported to 11 November Cabinet	2.080
Reprogramming and Variations	-0.426
Revised Requirement	**1.654**
Useable Receipts Brought Forward	-0.023
Useable Receipts Received	-0.283
Balance to be generated	**1.348**

Capital receipts – Housing

5.13 Housing Capital Receipts brought forward at 1 April 2013 were £5.164m. The Housing receipts are committed against projects in the 2013-2023 Capital Plan.

5.14 To finance the 2013/14 Capital Plan the capital receipts required are £3.055m. To date, £3.270m of receipts have been received in 2013/14 of which £0.773m has been pooled as part of the Quarter 1 and 2 returns to Central Government. In total,. this leaves a surplus balance of £4.606m to be carried forward to fund future years.

Table 7: Capital Receipt Requirement 2013/14 - Housing

	Housing £m
Current Requirement	3.055
Receipts Brought Forward	-5.164
Receipts Received	-3.270
Receipts Pooled Quarter1 & 2	0.773
Surplus Balance to fund future years (subject to further pooling)	**-4.606**

5.15 The final figure for useable receipts and pooled receipts in year will depend on the final number of Right to Buy properties sold during 2013/14.

Capital Plan Monitoring Position to 30 November 2013

5.16 Actual expenditure in the General Ledger was £29.562m (48.5%) of the total revised Capital Plan as at 30 November 2013.

Table 8: 2013/14 Total Capital Plan Budget and Expenditure to 30 November 2013

	2013/14 Revised Capital Plan £m	Actual Spend to 30 November 2013 £m	Spend as % of Total Revised Capital Budget %
General Fund	42.354	19.076	45.0
Housing	18.615	10.486	56.3
TOTAL	**60.969**	**29.562**	**48.5**

5.17 Comparative figures for 2012/13 to the end of November 2012 were 39.1% (General Fund 37.3% and Housing 42.9%).