ANNEX 1

2013/14 Financial Management Report to 31 January 2014

North Tyneside Council

Section 1.0
Executive Summary

1.1 This is the fifth report to Cabinet for 2013/14, setting out the Authority's financial position as at the 31 January 2014.

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, £10.553m credit on 11 November 2013 and £7.735m credit on 13 January 2014). 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 £60.969m.

1.5 The current forecast outturn for the General Fund revenue budget now reflects an in-year surplus of £1.877m after the allocation of part of the contingencies budget (see paragraph 2.19 Table 3).

1.6 The Housing Revenue Account (HRA) is forecasting a surplus of £0.241m for the year.

1.7 In the period to 31 January 2014, the level of capital spend posted within the General Ledger was £36.639m, which represents 57.9% 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 £0.700m and variations of £0.972m to the 2013-23 Capital Plan. Full details can be found in paragraphs 5.5 and 5.6 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.

Change Improvement and Efficiency Programme

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 6 February 2014 presented to Overview and Scrutiny on 3 March 2014 is included as Appendix H to this report.

Redundancies

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 £1.650m. This is an increase of £0.250m from the previous report to reflect current forecasts.

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 for capitalisation, meaning that the option for capitalisation would not be available. Therefore, £1.650m has been included as an exceptional item in Table 1 below to reflect current estimates.

Equal Pay and Equal Value

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, £2.648m 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 are 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 now reflects an in year surplus of £1.877m.

2.2 The budget monitoring is based on the recorded transactions as at 31 January 2014 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 Jan 2014	Forecast Outturn Variance Nov 2013
			£m	£m	£m	£m
1	**Chief Executive's Office:**					
	Business and Economy	Appendix A(i)	0.796	0.759	-0.037	-0.034
	Chief Executive's Office	Appendix A(ii)	3.716	3.660	-0.056	0.092
	Finance and Commercial Services	Appendix A(iii)	13.791	13.787	-0.004	0.000
	Law and Governance	Appendix A(iv)	3.007	3.016	0.009	0.043
	Public Health	Appendix A(v)	0.000	0.000	0.000	0.000
	Non-Controllable		-14.150	-14.150	0.000	0.000
			7.160	**7.072**	**-0.088**	**0.101**
2	**Deputy Chief Executive's Office:**					
	Adult Social Care	Appendix B(i)	54.021	53.204	-0.817	-0.037
	Children, Young People and Learning	Appendix B(ii)	17.939	18.278	0.339	0.724
	Commissioning and Fair Access	Appendix B(iii)	7.107	7.468	0.361	0.533
	Deputy Chief Executive Central Costs	Appendix B(iv)	0.281	0.202	-0.079	-0.057
	Environment and Leisure	Appendix B(iv)	33.147	33.555	0.408	0.645
	Housing General Fund	Appendix B(iv)	0.831	0.800	-0.031	-0.037
	Non-Controllable		21.617	21.617	0.000	0.000
			134.943	**135.124**	**0.181**	**1.771**
Sub Total - Service- Approved Budget			**142.103**	**142.196**	**0.093**	**1.872**

Table 1 continued

			Full Year Budget	Forecast Outturn	Forecast Outturn Variance Jan 2014	Forecast Outturn Variance Nov 2013
			£m	£m	£m	£m
3	Corporate and Democratic Core	Appendix C	9.838	10.187	0.349	0.349
4	Corporate Accounting	Appendix C	3.565	-1.033	-4.598	-3.353
5	Contingency Budget	Appendix C	2.583	2.055	-0.528	-0.528
6	Levies	Appendix C	13.076	13.076	0.000	0.000
7	Utilities		0.000	0.472	0.472	0.601
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			**35.029**	**31.124**	**-3.905**	**-2.531**
Net Forecast pressure/(surplus) after application of reserves			**177.132**	**173.320**	**-3.812**	**-0.659**
Exceptional items						
10	Redundancies		0.000	1.650	1.650	1.400
11	Transfer to reserves – Airport Dividend		0.000	0.285	0.285	0.000
Net Forecast pressure/(surplus) after exceptional items			**177.132**	**175.255**	**-1.877**	**0.741**

Services

2.3 The **Chief Executive's Office** is currently reporting in-year underspend of £0.088m (November 2013 pressure of £0.101m). This service was formed following the senior management restructure and brought 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 (£0.037m) 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 underspend of £0.056 absorbing a pressure of £0.084m 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. There is a £0.099 pressure relating to Communications mainly around advertising income shortfalls which is more than compensated for by planned underspends within Policy and Partnerships, Engagement and Management and Mayoral Support. There is a £0.162m forecast underspend within Engagement which relates to the Big Society and Widening Horizons budget which are not expecting to be spent in full in year. There is also a saving within Human Resources (£0.043m) 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** continues to report a forecast overall balanced budget. This is further detailed in **Appendix A(iii)**.

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 £0.355m, leaving an available fund of £0.475m.

This service contains budgets for Housing Benefit payments which are funded through subsidy from the Department of Work and Pensions (DWP). The DWP funding assumes changes in individual circumstances that have an impact upon an individual's benefit payment are processed in a timely fashion. The timeliness of processing such changes over the year can have an impact upon 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 £0.009m and managers in these areas continue to successfully 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 pressures from charges for contracts via GPs for nicotine replacement treatment and the contraceptive device fitting service. The Department of Health have confirmed that Local Authorities are responsible for these costs. The projected year-end position and variance analysis for January 2014 is attached as **Appendix A(v)** to this report.

2.9 The **Deputy Chief Executive's Office** is currently reporting in-year pressures of £0.181m (November 2013 £1.771m). 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 forecast underspend (£0.817m) after the transfer to the service of balances previously held in contingencies. All of the necessary actions have taken place to realise 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. 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 January position reflects an improving position on Older People's Commissioned Services as a result of a reduction in permanent admissions to residential care. At this stage in the year we also feel confident in predicting that there will be an underspend of £0.400m on the Local Welfare Provision Scheme. The full analysis is included as **Appendix B(i)**

2.11 The forecast budget pressure for **Children Young People and Learning** Service has reduced since last reported in November from £0.724m to £0.339m.

The budget pressures previously reported in relation to Corporate parenting and placements and grant income remain, however further savings across other areas of the service are now forecast and these have resulted in the overall improvement. The savings since the November report have been achieved from:

- Vacant posts held across the service but particularly in children's social care and school improvement;
- Additional scrutiny over non staff spend e.g. training, car allowances; and,
- Increased income from the achievement of performance related Troubled Families targets and higher than anticipated numbers accessing the Two Year Old offer from our settings.

A full analysis included as part of **Appendix B(ii).**

2.12 The forecast budget pressure for **Commissioning and Fair access** service has reduced since last reported in November from £0.533m to £0.361m.

The forecast budget pressure in Catering Services has decreased since last reported following a review of expenditure on equipment and an additional contribution of £0.070m from adult social care in recognition of the costs of the meals on wheels service.

The forecast pressure of £0.100m in Children's Disability Services (mainly Home to school transport) remains in keeping with the position reported since the start of the year (i.e. £0.295m before the application of £0.195m of contingencies). All individual travel plans have been challenged and independent travel trainers remain in place, however despite these efforts this forecast pressure remains in place.

The other main saving in this area since the November report relates to a small forecast reduction on pension costs associated with historic early termination of school staff.

A full analysis is included as part of **Appendix B(iii).**

2.13 The **Deputy Chief Executive Central Costs** are forecast to deliver savings of £0.079m 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 £0.408m (November 2013 £0.645m). The major pressure (£0.761m) within this position relates to 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). In addition there are pressures associated with the properties managed by Capita. These include policy choices made by the Council that have altered their planning assumptions and historic shortfalls associated with our property budgets. Significant work is underway to resolve these matters for 2014/15.

In previous budget monitoring reports the Bereavement service forecast outturn has been based on the assumption that any additional bereavement income generated was ring-fenced to support the capital costs of replacing the cremators and upgrading the Tynemouth crematorium (as agreed by Cabinet 20 May 2013). We are now forecasting that the design costs will be funded from capital contingencies, which means that we are now reporting an improvement of £0.150m against budget within Bereavement Services.

The Transport Account is showing an underspend of £0.456m mainly due to decisions taken to extend the effective lifetime of the vehicles. This is compensated for by overspends mainly within Street Environment and Waste.

The forecast for Waste disposal costs through the transfer station has reduced by £0.400m but the drawdown of the Weekly Collection Support Grant in year has been reduced by the equivalent amount.

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 £0.031m 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 November presented to Cabinet on 13 January 2014. 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 December 2013

Service	Amount

	£m
Corporate Accounting	0.745
Total	0.745

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 £4.598m 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 (due to temporary borrowing) and the continued level of internal borrowing, pressures of £0.250m relating to savings from the Review of Terms and Conditions not expected to be achieved, Airport Dividend received of £0.285m, additional Strain on the Fund savings of £0.214m and Small Business Rates Relief grant of £0.745m.

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 £2.583m 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	1.024	0.601
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**	**2.932**	**2.583**

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 £1.650m 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. In addition it has also been assumed that the Airport Dividend (£0.285m) will be transferred to the Strategic Reserve at year end for use in Service Improvements in line with 2014/15 budget proposals.

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 January 2014 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 aimed for rent convergence by 2015/16. This target has of course now been superseded by the Government's plans to change the basis of rent increases for the next 10 years, from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) after 2014/15.

3.3 The HRA has started the year with what was £0.578m higher than anticipated opening balances i.e. £2.200m as opposed to the budgeted figure of £1.622m, and the current expectation is that the in-year position will be £0.241m 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 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 £0.671m, 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 overall net saving, which will be confirmed after financial close is reached, is assumed to accrue either as an additional contribution to the House-building Fund in-year to fund future Council House new build, or as an additional year-end contribution to the PFI reserve.

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 2,173 of our tenants on Housing Benefit, of whom 1,139 are in arrears totalling £0.309m. This is an increase of approximately £0.028m from the start of the year, and overall current arrears have increased by around £0.068m to just over £1.342m. There has also been an increase in the amount of former arrears, which has increased to-date in-year by £0.147m. 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 and early 2014/15. For 2013/14 it is currently estimated that a total additional contribution of £1.242m 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 and again in the Spring term. 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.

4.2 Current forecasts continue 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. We continue to work with these schools to ensure their balances remain within reasonable parameters. This includes making reference to the 2014/15 funding delegations for each school and how these impact upon the school's financial position.

4.3 As outlined in the November monitoring report we met with a group of schools on 9 January 2014 and then with the Schools Forum on 15 January 2014 to determine the additional 2013/14 allocations in respect of schools with exceptional Special Educational Needs (SEN) circumstances. In respect of 2013/14 it was agreed £0.120m of Dedicated Schools Grant should be distributed to schools on the basis of:

- £40k on the basis of those schools significantly in excess of the LA average of statements per school (all statements including those under 10 hours);
- £40k pro-rata share to schools on the basis of School action plus data; and,
- £40k pro-rata share to schools on the basis of the lowest 20% results at Early Years Foundation Stage Profile (EYFSP) for primary, or those with below level 3 in English or Maths for secondary (£20k secondary/£20k primary)

4.4 In line with the agreement in paragraph 4.3 the 2013/14 exceptional SEN circumstances allocations were issued to schools on 14th February 2014.

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 31 January 2014.

Capital Plan Delivery

5.2 Some of the key progress areas to note to 31 January 2014 are as follows:

- The internal walls and block work to the new building at Southlands school is now complete;
- The roof covering to the new Longbenton Voluntary Aided school's main building has been completed;
- The roads and pavements and the additional highways improvements programmes have both been completed in line with the Highways Asset Management Plan and area forums;
- The initial design work has now been commissioned for the Central Promenade reconstruction scheme;
- The public realm improvements for Spanish City promenade have started on site;
- The demolition of the former Whitley Bay Library has been completed and new car park opened for use;
- Design works for the improvements to the Four Lane Ends / A188 Corridor junction have partially been commissioned;
- New housing on the former Park House Housing Office site has been completed and the demolition of Hedley Place is underway;
- The refurbishment of The Forum Shopping Centre is underway;
- Building work has been completed on new Customer First Centre in Forum House with the relocation of library and customer services underway;
- The second stage European Regional Development Fund bid (£2.100m) for the refurbishment of the existing Swan Hunter buildings to create a Business Centre has been approved and an offer received from DCLG; and
- Design work to improve Benton Way as main access to the Swan Hunters site and Neptune Yard has commenced.

Variations to the 2013/14 Capital Plan

5.3 As part of the regular capital monitoring process during December and January 2014 there has been £0.700m reprogramming reported and £0.972m variations to the 2013/14 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
Cabinet 13 January 2014	-7.171	7.171	0	0	0
Total Reprogramming	5.160	14.814	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
Cabinet 13 January 2014	-0.564	-1.535	-0.651	0	-2.750
Total Variations	-0.040	0.028	-0.651	0	-0.663
Approved Capital Plan – Cabinet 13 January 2014	**60.969**	**64.509**	**35.727**	**246.025**	**407.230**
Council 23 January 2014 – Tynemouth Crematorium	0	2.772	0	0	2.772
Cabinet 10 February 2014 – Seafront Properties Acquisition	2.000	0	0	0	2.000
December/January Reprogramming	-0.700	0.700	0	0	0
December/January Variations	0.972	0	0	0	0.972
Revised Capital Plan	**63.241**	**67.981**	**35.727**	**246.025**	**412.974**

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 January 2014 of £0.972m have been identified. The details of the main changes are shown below:

(a) **DV058 Swan Hunters Redevelopment, £0.869m** – The variation relates to the allocation of the ring fenced capital receipts generated from the long term lease of land at the Swan Hunters site, £0.407m. The Homes and Communities Agency (HCA) has awarded an additional £0.300m grant to enable the construction of a temporary access road to allow the replacement of the bridge on Benton Way. In addition an allocation £0.162m has been made from capital project **EV034 Local Transport Plan** towards the cost of the bridge replacement;

(b) **CO068 Tynemouth Crematorium, £0.155m** – In addition to the £2.772m approved by Council on 23 January 2014, there is an allocation required from contingencies, £0.155m to enable Kier North Tyneside to carry out the design works in 2013/14. This leaves an unallocated balance in capital contingencies of £0.311m;

(c) **HS011 HRA Mechanical and Electrical Works, £1.064m** – The variation will allow for an opportunity to complete a considerable amount of additional heating works by year end by utilising under spends on other areas of the programme, namely HS015 Major Refurbishment Works and HS017 Disabled Adaptations;

(d) **HS015 HRA Major Refurbishment, £0.652m credit** – An underspend on this scheme is to be utilised on additional heating works (See (c) above);

(e) **HS017 HRA Disabled Adaptations, £0.412m credit** - An underspend on this scheme is to be utilised on additional heating works (See (c) above);

(f) **HS043 HRA Energy Efficiency, £0.227m** – The variation is to capitalise the cost of Voltage Optimisers to be funded via a revenue contribution from the Green Fund;

(g) **Additional Grants/Contributions, £0.038m** – There have been additional grant and contributions to the 2013-23 capital plan for the following schemes:

ED165 Playsite & Urban Games £0.026m – Section 106 Contribution
DV054 Coastal Regeneration £0.012m – Heritage Lottery Fund Grant

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

5.6 There was reprogramming of £0.700m reported to the end of January 2014. The details of the changes are shown below:

(a) **EV069 Vehicle Replacement, £0.600m** – Vehicles are currently being procured but the delivery is not expected to be until 2014/15; and

(b) **DV054 Coastal Regeneration, £0.100m** –Delays in progressing the Whitley Bay Mini Golf Improvements have resulted in the need for a revised project brief to be produced.

5.7 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 13 January 2014	**60.969**	**64.509**	**35.727**	**246.025**	**407.230**
Council 23 January 2014 Unsupported Borrowing	0	2.772	0	0	2.772
Cabinet 10 February 2014 Capital Receipts	2.000	0	0	0	0
Revised Capital Plan	**62.969**	**67.281**	**35.727**	**246.025**	**412.002**
Grants and Contributions	0.338	0	0	0	0.338
Capital Receipts – General Fund	-0.293	0.700		0	0.407
Contribution from Revenue Housing Revenue Account	0.227	0	0	0	0.227
Total Financing Variations	**-0.028**	**0.700**	**0**	**0**	**0.672**
Revised 2013/14 Capital Plan	**63.241**	**67.981**	**35.727**	**246.025**	**412.974**

Capital receipts – General Fund

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

5.9 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 13 January 2014 was £1.654m.

5.10 As part of the reprogramming and variations reported above and the approved use of capital receipts for the acquisition of Seafront Properties (Cabinet 10 February 2014), the capital receipts requirement for 2013/14 has increased by £1.707m to £3.361m.

5.11 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. This receipt has now been added into the requirement in 5.10. Therefore, useable receipts generated in 2013/14 are £0.690m and this leaves a balance of receipts to be generated for the General Fund of £2.648m.

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

	General Fund £m
Requirement reported to 13 January 2014 Cabinet	1.654
Approved Cabinet 10 February 2014 – Seafront Properties Acquisitions	2.000
Reprogramming and Variations	-0.293
Revised Requirement	**3.361**
Useable Receipts Brought Forward	-0.023
Useable Receipts Received	-0.690
Balance to be generated	**2.648**

Capital receipts – Housing

5.12 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.

5.13 To finance the 2013/14 Capital Plan the capital receipts required are £3.055m. To date, £4.381m of receipts have been received in 2013/14 of which £1.152m has been pooled as part of the returns to Central Government. In total, this leaves a surplus balance of £5.338m 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	-4.381
Receipts Pooled to Central Government	1.152
Surplus Balance to fund future years (subject to further pooling)	**-5.338**

5.14 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 31 January 2014

5.15 Actual expenditure in the General Ledger was £36.639m (57.9%) of the total revised Capital Plan as at 31 January 2014.

Table 8: 2013/14 Total Capital Plan Budget and Expenditure to 31 January 2014

	2013/14 Revised Capital Plan £m	Actual Spend to 31 January 2014 £m	Spend as % of Total Revised Capital Budget %
General Fund	44.399	22.876	51.5
Housing	18.842	13.763	73.0
TOTAL	**63.241**	**36.639**	**57.9**

5.16 Comparative figures for 2012/13 to the end of January 2013 were 55.2% (General Fund 52.0% and Housing 61.1%).