

CABINET AGENDA



19th November 2012

at 9.30 am

in Committee Room B,
Civic Centre, Hartlepool

MEMBERS: CABINET:

The Mayor, Stuart Drummond

Councillors Hill, Lauderdale and Thompson.

1. **APOLOGIES FOR ABSENCE**

2. **TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**

3. **MINUTES**

To receive the Record of Decision in respect of the meeting held on 29th October 2012
(previously circulated)

4. **BUDGET AND POLICY FRAMEWORK**

No items.

5. **KEY DECISIONS**

5.1 Denominational Transport: Savings Options – *Director of Child and Adult Services*

6. **OTHER ITEMS REQUIRING DECISION**

6.1 Medium Term Financial Strategy (MTFS) 2013/14 to 2016/17 Update –
Corporate Management Team

6.2 Strategic Financial Management Report Quarter 2 – *Corporate Management Team*



7. ITEMS FOR DISCUSSION/INFORMATION

- 7.1 Audit Committee report – Treasury Management Strategy Review – *Chief Finance Officer*

8. REPORTS FROM OVERVIEW OF SCRUTINY FORUMS

No items.

EXEMPT ITEMS

Under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information as defined in the paragraphs referred to below of Part 1 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) Act 1985

9. EXEMPT KEY DECISIONS

- 9.1 Workforce Arrangements – *Corporate Management Team* (para 4)



CABINET REPORT

19 November 2012



Report of: Director of Child and Adult Services

Subject: DENOMINATIONAL TRANSPORT: SAVINGS
OPTIONS

1. TYPE OF DECISION/APPLICABLE CATEGORY

Key Decision (test (ii)) Forward Plan Reference No. CAS132/12.

2. PURPOSE OF REPORT

- 2.1 To inform Cabinet of further options around savings proposals discussed at a previous Cabinet meeting on 2 April 2012 in relation to denominational transport.

3. BACKGROUND

- 3.1 Cabinet agreed on 5 December 2011 to consult with interested parties on the removal of free transport to denominational schools. Following further consultation and scrutiny of the detail of this report, a small number of primary pupils have been included in the options contained within the report. Paragraphs 4.10, 6 and 8.2 gave further details in respect of the qualifying primary school. In the secondary sector at present, 383 pupils at English Martyrs' School are provided with free travel to and from school with 44 of these pupils being from low income families. In the primary sector, 33 pupils at St Teresa's School are provided with free travel to and from school. The removal of this non-statutory provision would provide a saving in the region of £133,000 p.a, this funding is currently supporting families who live within the statutory mileage criteria or who have not made application to the nearest school. **Paragraphs 4.1 to 4.10** of the report outline in more detail how these arrangements work in practice and how current decisions on eligibility are arrived at. The savings proposal forms part of the 2012/13 Child and Adult Services department's savings with a recommendation that they came into effect from September 2012.
- 3.2 On 23 February 2012 Council confirmed additional one-off funding was to be made available in order to sustain denominational transport for the academic year 2012/13. This additional funding would allow for further consideration

of the savings proposal and to reflect on the outcomes arising from the consultation exercise, which had demonstrated a preference to sustain the existing arrangements for free transport to denominational schools.

- 3.3 A further report was presented to Cabinet on 2 April 2012 detailing the outcomes of the consultation exercise. These are summarised in **Section 5** of this report. Cabinet noted the outcome of the consultation exercise and requested that a further report be prepared outlining the financial implications of the following options:

- Option 1: Continue arrangements as they currently exist, providing free transport to denominational schools.
- Option 2: Remove free transport to all denominational schools starting in September 2012.
- Option 3: Starting in September 2013, cease free discretionary transport for all new pupils starting at denominational schools except for those where there is a statutory requirement to do so. Existing pupils who already receive discretionary school transport would continue to do so until they move/leave school or change address.

- 3.4 Cabinet also sought further clarification on the criteria and operation of the Home to School Transport Policy and an understanding of how this matter is being dealt with in other local authorities in the region. A summary of findings in relation to other Local Authorities is shown in **paragraph 7.1**.

4. CURRENT HOME TO SCHOOL TRANSPORT POLICY

4.1 Eligibility Hierarchy

Upon receiving an application for home to school transport, the following eligibility criteria is applied in order:

- a) Low income – Does the child qualify for transport under the low income criteria? **(See 4.2 below)**.
- b) Special Educational Need – Does the child have a statement which entitles him/her to transport?
- c) Distance – Does the child qualify under the distance criteria? **(see flowcharts in 4.9 and 4.10)**
- d) Safe walking route – Child's walking route to school is unsafe.

4.2 Low Income Criteria : Secondary Schools

Those entitled to free school meals and those whose parents are in receipt of their maximum level of Working Tax Credit are entitled to free transport to any one of their:

- three nearest schools between 2 and 6 miles from their home;
- nearest suitable school preferred on grounds of religion or belief up to a distance of 15 miles from their home.

4.3 **Low Income Criteria: Primary Schools**

Hartlepool does not attract Government funding for primary age pupils as schools are situated in close proximity which restricts the low income criteria being met.

4.4 **Special Educational Needs (SEN)**

Access to transport will be assessed by the SEN Team and referred to the Passenger Transport Services Team via the SEN Panel, stating the individual transport needs of each pupil.

4.5 **Distance: Secondary and Primary Schools**

See flowcharts in **paragraphs 4.9 and 4.10.**

4.6 **Safe Walking Route**

This applies to children who live within the statutory walking distance but whose route to school may be deemed unsafe. In each case, a risk assessment should be carried out taking into account the following:

- Age of the child;
- Whether any potential risks might be mitigated if the child were accompanied by an adult;
- The width of any roads travelled along and the existence of pavements;
- The volume and speed of traffic travelling along any roads;
- The existence or otherwise of street lighting;
- The condition of the route at different times of the year, at the times of day that a child would be expected to travel to and from school.

4.7 **Other situations that may entitle children to transport provision**

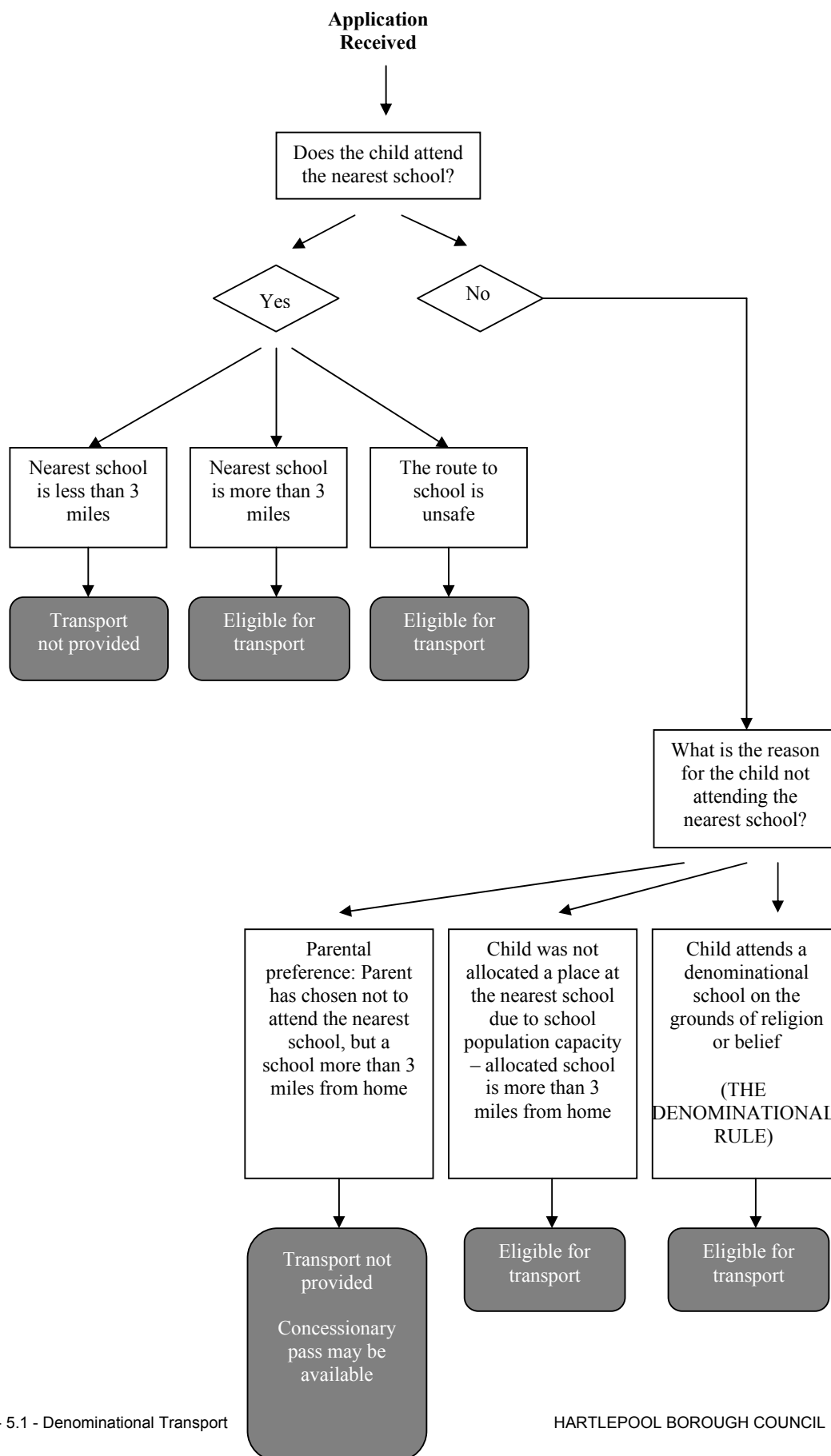
- Temporary medical conditions;
- Year 10 and 11 children who have moved home more than 3 miles from school;
- Out of area children (Looked After).

4.8 **Local Arrangements**

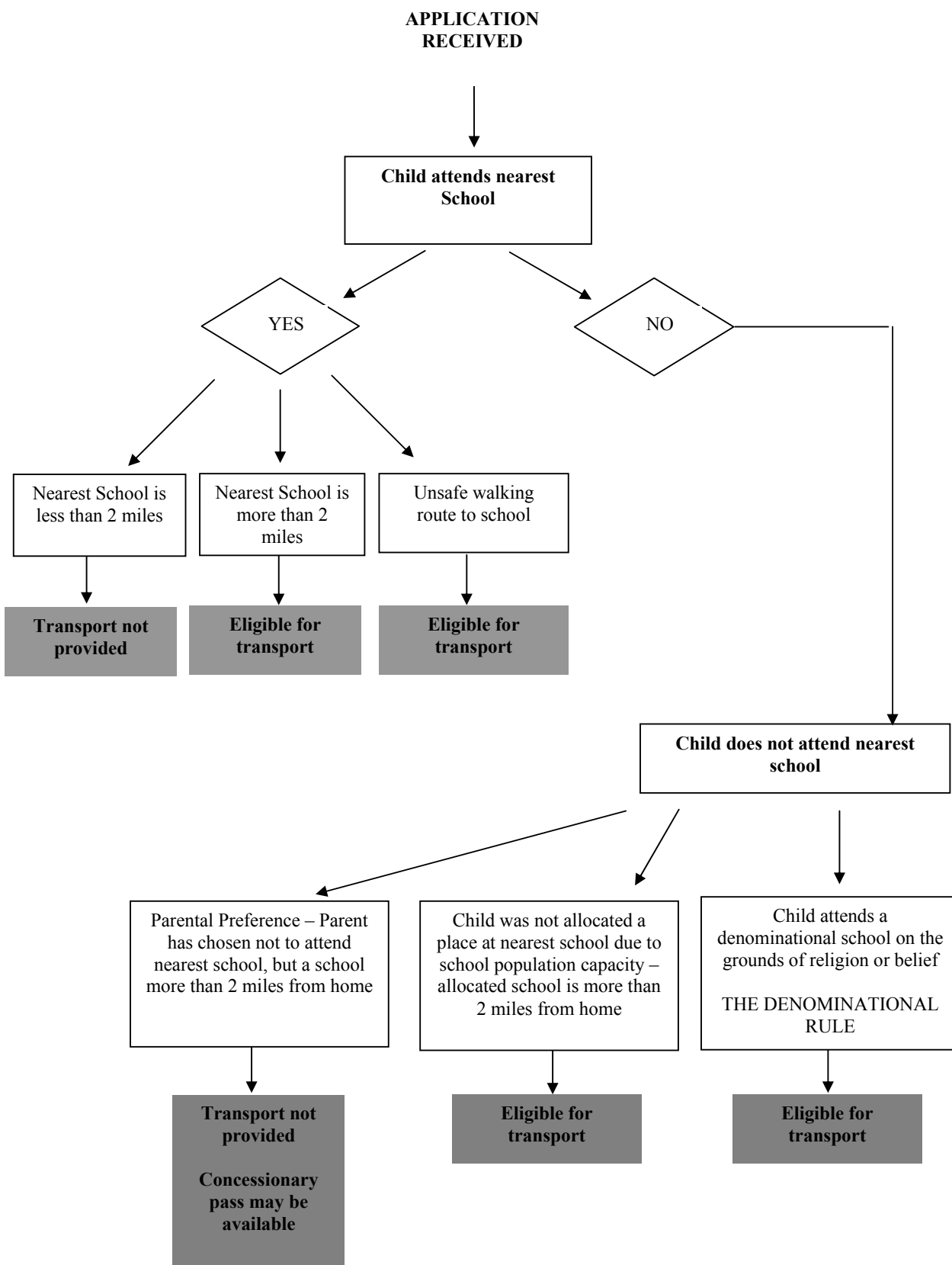
The current Home to School Transport Policy reflects both a **statutory duty** and a **discretionary rule** to provide free transport (on grounds of religion and belief). The current policy does not however reflect local School Admission arrangements such as partner schools. Therefore, pupils who attend partner schools which are not the nearest school would not be eligible to free transport unless the nearest school is full.

The denominational discretionary rule allows the Council to provide free transport to secondary and primary faith schools, in practice this only applies to English Martyrs Secondary School and St Teresa's Primary School, and not to other secondary or primary mainstream schools. Schools such as Dyke House must purchase provision from the ITU in order to access pupils from the Seaton area to Dyke House School.

4.9 Current Distance Criteria Flowchart (Secondary)



4.10 Current Distance Criteria Flowchart (Primary)



5. DENOMINATIONAL TRANSPORT CONSULTATION

- 5.1 The following is a summary of the outcome of the consultation exercise undertaken earlier this year. All interested parties were fully consulted including students, parents, the Roman Catholic Diocese, schools and the wider community. Consultations on these savings proposals included an option for a charging arrangement to parents/carers in order to provide for the continuation of the existing provision.

5.2 Question 1

“It is proposed that free transport to faith schools stops, except where there is a legal requirement which must be met”

Responses

- a) I am in favour of the proposed changes to the denominational transport policy.
Response 1.7% Response Count 10
- b) I am not in favour of the proposed change to the denominational transport policy.
Response 98.3% Response Count 581

5.3 Question 2

“If the proposal is agreed by Cabinet, I would prefer:”

Responses

- a) The Council to arrange transport and to charge a concessionary fare
Response 88% Response Count 490
- b) To make my own transport arrangements
Response 12% Response Count 67

5.4 Question 3

“If the proposal is agreed by Cabinet, I would ask that the concessionary charge is introduced from:”

Responses

- a) September 2012 (all students)
Response 12.4% Response Count 67
- b) September 2013 (all students)
Response 45.4% Response Count 246
- c) New starters to be charged a concessionary rate from September 2012. Provision will then be progressively withdrawn, except for starters prior to September 2012.
Response 42.2% Response Count 229

5.5 Breakdown of Respondents

- a) Parent or Guardian of a child attending a denominational secondary school.
Response 49.1% Response Count 249
- b) Parent or Guardian of a child attending a denominational primary school.
Response 21.2% Response Count 108
- c) Representative of a denominational school
Response 17.0% Response Count 86
- d) Representative of a non-denominational school
Response 2.6% Response Count 13
- e) Diocesan / Church representative
Response 10.1% Response Count 51

5.6 The consultation outcome demonstrated a preference to retain free transport to denominational schools but there was also a strong desire expressed to see the Council continue to arrange transport with the introduction of a concessionary rate starting September 2013, if the denominational rule was withdrawn.

5.7 During the consultation period, both the Hexham and Newcastle RC Diocesan Commission and secondary and primary faith schools were consulted directly on their views with regard to their making financial contributions to enable the continuation of the free transport provision in the event that the Council removed it. Due to other financial pressures and commitments already being met all parties deemed this option not possible.

6. OPTION ANALYSIS

6.1 As mentioned earlier in **paragraph 3.3**, Cabinet asked for a financial analysis of three options available and the following tables detail the position regarding potential budget savings over the next few years on each of the options.

6.2 Option 1: No change to current arrangements

Estimated Bus Population - Secondary						
	Year 7	Year 8	Year 9	Year 10	Year 11	Total
September 12	77	81	78	72	75	383
September 13	77	77	81	78	72	385
September 14	77	77	77	81	78	390
September 15	77	77	77	77	81	389
September 16	77	77	77	77	77	385
September 17	77	77	77	77	77	385

Financial Year Savings	13/14	14/15	15/16	16/17	17/18	18/19	Total
Estimated Budget Savings (£000s)	0	0	0	0	0	0	0
Savings not achieved (£000s)	125	125	125	125	125	125	750

Estimated Bus Population - Primary							
	Rec	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
September 12	2	6	6	3	7	1	8
September 13	2	2	6	6	3	7	1
September 14	2	2	2	6	6	3	7
September 15	2	2	2	2	6	6	3
September 16	2	2	2	2	2	6	6
September 17	2	2	2	2	0	2	6

Financial Year Savings	13/14	14/15	15/16	16/17	17/18	18/19	Total
Estimated Budget Savings (£000s)	0	0	0	0	0	0	0
Savings not achieved (£000s)	8	8	8	8	8	8	48

6.3 Option 2: Remove free transport to denominational schools starting in September 2013

Estimated Bus Population - Secondary						
	Year 7	Year 8	Year 9	Year 10	Year 11	Total
September 12	0	0	0	0	0	0
September 13	0	0	0	0	0	0
September 14	0	0	0	0	0	0
September 15	0	0	0	0	0	0
September 16	0	0	0	0	0	0
September 17	0	0	0	0	0	0

Financial Year Savings	13/14	14/15	15/16	16/17	17/18	18/19	Total
Estimated Budget Savings (£000s)	95	125	125	125	125	125	720
Savings not achieved (£000s)	30	0	0	0	0	0	30

Estimated Bus Population - Primary							
	Rec	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
September 12	0	0	0	0	0	0	0
September 13	0	0	0	0	0	0	0
September 14	0	0	0	0	0	0	0
September 15	0	0	0	0	0	0	0
September 16	0	0	0	0	0	0	0
September 17	0	0	0	0	0	0	0

Financial Year Savings	13/14	14/15	15/16	16/17	17/18	18/19	Total
Estimated Budget Savings (£000s)	5	8	8	8	8	8	45
Savings not achieved (£000s)	3	0	0	0	0	0	3

6.4 Option 3: Starting September 2013, cease free concessionary transport for all new pupils starting at denominational schools, except where legally obliged

Estimated Bus Population - Secondary						
	Year 7	Year 8	Year 9	Year 10	Year 11	Total
September 12	77	81	78	72	75	383
September 13	0	77	81	78	72	308
September 14	0	0	77	81	78	236
September 15	0	0	0	77	81	158
September 16	0	0	0	0	77	77
September 17	0	0	0	0	0	0

Financial Year Savings	13/14	14/15	15/16	16/17	17/18	18/19	Total
Estimated Budget Savings (£000s)	11	23	25	26	27	13	125
Savings not achieved (£000s)	114	91	66	40	13	-	324

Estimated Bus Population							
	Rec	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
September 12	2	6	6	3	7	1	8
September 13	0	2	6	6	3	7	1
September 14	0	0	2	6	6	3	7
September 15	0	0	0	2	6	6	3
September 16	0	0	0	0	2	6	6
September 17	0	0	0	0	0	2	6

Financial Year Savings	13/14	14/15	15/16	16/17	17/18	18/19	Total
Estimated Budget Savings (£000s)	0.5	1	1.5	2	2.5	3	10.5
Savings not achieved (£000s)	7.5	7	6.5	6	5.5	5	37.5

- 6.5 As is demonstrated above, only Option 2 delivers the required level of savings anticipated and reflected in the Council's Medium Term Financial Strategy. Option 1 delivers no savings with a savings deficit position of £798,000 in terms of planned budget savings over the period covered.
- 6.6 Option 3 eventually provides the anticipated level of annual savings with this position not being fully reached until 2018/19 and in the meantime producing a savings deficit position of £362,000 in terms of planned budget savings over the period covered. Both Option 1 and Option 3 will result in a situation where alternative savings packages will need to be identified in order to achieve the required level of savings anticipated as part of the Medium Term Financial Strategy from the reduction in denominational transport.

7. POSITION IN OTHER LOCAL AUTHORITIES

- 7.1 Following contact with other local authorities, a summary is shown below outlining where each authority mentioned is at the moment with regard to the funding of denominational transport, which they currently provide along the same lines as we do.

Local Authority	Status
Gateshead	No changes planned
North Tyneside	No changes planned
Northumberland	No changes planned
Redcar and Cleveland	No changes planned
Stockton	No changes planned
South Tyneside	No changes planned
Sunderland	No changes planned
Durham	Sept 12 – No new intakes
North Yorkshire	Sept 12 – No new intakes
Darlington	Sept 13 – No new intakes
Middlesbrough	Sept 13 – No new intakes

7 of the above 11 local authorities state that they have no immediate plans to stop free denominational transport with 4 adopting the model outlined in Option 3 above which is based on a phasing out approach.

8. TOTAL NUMBER OF PUPILS AFFECTED**8.1 English Martyrs'**

Current number of pupils entitled to Home to School Transport Assistance		Pupils qualifying for transport assistance if Denominational Rule is removed
<u>Entitlement Category</u>		
• Denominational Eligibility	315	0
• SEN	2	2
• Low Income	44	44
• Unsafe Walking Route *	<u>22</u>	<u>0</u>
TOTAL	383	46

8.2 St Teresa's

Current number of pupils entitled to Home to School Transport Assistance		Pupils qualifying for transport assistance if Denominational Rule is removed
<u>Entitlement Category</u>		
• Denominational Eligibility	32	0
• Unsafe Walking Route *	<u>1</u>	<u>0</u>
TOTAL	33	0

*Current provision is based on the eligibility of pupils and parental preference electing for a denominational school. This provision will cease if the denominational rule is removed.

9. RISK

9.1 Previous reports have highlighted the following risks associated with the delivery of the recommendations to cease denominational transport:

- Perceived travel risks or unfairness
- Objections from Diocese and Parents
- Pressure on maintaining existing levels of pupil numbers.

9.2 The clear purpose behind the option to remove denominational transport is a one achieving significant annual savings. The current arrangements, whilst being popular, are discretionary and the Council is not under a statutory duty to maintain such an arrangement. The arrangements are relatively expensive to provide and it could be argued in terms of other schools, provide an unbalanced approach to free school transport.

- 9.3 The statutory duty upon the Council to safeguard low income families will be maintained as those pupils are unaffected by any decision to remove denominational transport.
- 9.4 Consultation responses have indicated that parents would be interested in the Council continuing to provide transport on a concessionary basis in order to continue attending their preferred school rather than look to move to an alternative school.

10. CONCLUSION

- 10.1 There are 3 options available to the Cabinet to deal with the position on denominational transport, and these have been laid out earlier in this report.
- 10.2 Transport on the grounds of religion or belief under Section 509 of the Education Act 1996 is provided on a discretionary basis (need not be implemented or can be discontinued).
- 10.3 A fundamental issue is how to achieve savings in line with the figures outlined in Option 2 if this option is not implemented. Both of the remaining options fail to deliver the required level of savings planned and alternative proposals within the Child and Adult Services department would have to be developed in order to comply with the forecasts outlined within the Medium Term Financial Strategy.

11. RECOMMENDATIONS

It is recommended that Cabinet:

- i) approve the proposal to reconfirm the previous Cabinet decision made as part of the 2013/13 budget proposals to withdraw Denominational home to school transport from September 2013 which will achieve the required ongoing saving of £133,000 included in the Medium Term Financial Strategy for 2013/14 and to refer this decision to full Council for approval as a departure from the Budget and Policy Framework to enable this decision to be implemented from September 2013; or
- ii) to determine that they do not wish to proceed with the withdrawal of Denominational home to school transport from September 2013 and to note that alternative budget cuts will need to be identified to cover the resulting budget shortfall of £133,000 in 2013/14 and refer this position to full Council for information.

12. REASONS FOR RECOMMENDATIONS

- 12.1 To achieve the requisite level of savings on denominational transport identified within the Medium Term Financial Strategy.

13. BACKGROUND PAPERS

- Cabinet Report – 5th December 2011
- Council Decision – 23rd February 2012
- Cabinet Report – 2nd April 2012
- Impact Assessment Forms x 2

12. CONTACT OFFICER

Peter McIntosh
Head of Planning and Development
Child and Adult Services.

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E-mail peter.mcintosh@hartlepool.gov.uk.

Impact Assessment Form

Department	Division	Section	Owner/Officer
Child and Adult Services	Children's Services	Planning and Development	Peter McIntosh
Function/Service	Review of denominational transport provision and possible cessation of concession other than 'eligible' children		
Information Available	<p>The policy change proposed would result in the removal of current discretionary transport provision in relation to English Martyrs' Secondary school, a Faith based establishment.</p> <p>Currently, children baptised into a relevant Faith and attending their nearest appropriate Voluntary Aided Church school are entitled to receive free home to school travel support. Children aged 11 to 16 from low income families are entitled to travel support to their nearest suitable school preferred on grounds of religion or belief, where the distance from their home address to the school is more than 2 miles, but not more than 15 miles from that school. This service is provided even though there may be other, nearer schools.</p> <p>The Council is only required by law to provide the current free home to school travel support to Faith schools for those children from low income families who satisfy the distance criteria above. However, like many other Local Authorities, the Council has for many years offered this provision to all children attending Faith schools eligible under the distance criteria.</p> <p>The Council intends to remove the discretionary concession and only provide home to school travel to denominational schools for statutory 'eligible' children. Discussions with the school has not resulted in the school offering financial support to continue the provision in its current form.</p> <p>At the present time, 383 children and young people receive free home to school travel support on buses from a number of different providers. The removal of the discretionary provision will impact on 339 children.</p>		
Relevance	Age		J
Identify which strands are relevant to the area you are reviewing or	Disability		
	Gender Re-assignment		
	Race		

5.1 Background 1

changing	Background		
	Religion		J
	Sex		
	Sexual Orientation		
	Marriage & Civil Partnership		
	Pregnancy & Maternity		
Information Gaps	Opinions of children, young people and parents.		
What is the Impact	The Equality Act 2010, Schedule 3, Part 2 provides an exemption to discrimination on the grounds of religion or belief in relation to transport to and from school.		
	The Local Authority remains under a general duty to have regard to the wish of a parent for their child to be provided with education at a particular establishment on the grounds of the parents’ religion or belief. Other than the statutory duty towards secondary school pupils who are from low income families, there is no duty to provide free transport to denominational schools for children generally.		
	As previously outlined, 382 children and young people who attend English Martyrs’ Secondary School receive free home to school travel support. The removal of the discretionary provision will impact on 338 children who currently attend the school and future attendees.		
Aim 1: Eliminate unlawful discrimination, harassment, victimisation, and any other conduct prohibited by the act.			
N/A			
Aim 2: Advance Equality of opportunity, between people who share protected characteristics and those who don’t.			
N/A			
Aim 3: Foster good relations between people who share a protected characteristic and those who do not share it.			
N/A			
Addressing the impact	1. No Major Change		
	2. Adjust/Change		
	3. Continue as is		
	4. Stop/Remove		
Action identified	Responsible Officer	By When	How will this be evaluated?
Consultation will be carried out with schools,	Peter McIntosh/Paul Robson	March 2012	People will be asked whether they think free travel should be stopped for all

5.1 Background 1

colleges, student groups, Transport Champions Group, Neighbourhood Forums, Head Teachers, and other relevant agencies.			<p>children or just new applicants. Parents will also be asked if they are prepared to pay travel costs themselves.</p> <p>The results will be included in a report to Cabinet and will also impact on future provision.</p>
Date sent to Equality Rep for publishing		00/00/00	

Impact Assessment Form

Department	Division	Section	Owner/Officer
Child and Adult Services	Children's Services	Planning and Development	Peter McIntosh
Function/Service	Review of denominational transport provision and possible cessation of concession other than 'eligible' children		
Information Available	<p>The policy change proposed would result in the removal of current discretionary transport provision in relation to St Teresa's Primary school, a Faith based establishment.</p> <p>Currently, children baptised into a relevant Faith and attending their nearest appropriate Voluntary Aided Church school are entitled to receive free home to school travel support. Where the distance travelled exceeds 2 miles, pupils will be provided with home to school transport if they attend the nearest approved school of their parents' practising faith. The eligibility for school transport again relates to the statutory walking distances. This service is provided even though there may be other, nearer schools.</p> <p>The Council is only required by law to provide the current free home to school travel support to Faith schools for those children from low income families who satisfy the distance criteria above. Hartlepool does not attract Government funding for primary age pupils as schools are situated in close proximity which restricts the low income criteria being met. However, like many other Local Authorities, the Council has for many years offered this provision to all children attending Faith schools eligible under the distance criteria.</p> <p>The Council intends to remove the discretionary concession and only provide home to school travel to denominational schools for statutory 'eligible' children. .</p> <p>At the present time, 33 children receive free home to school travel support on buses. The removal of the discretionary provision will impact on 33 children.</p>		
Relevance	Age		✓
<i>Identify which strands are relevant to the area you are reviewing or changing</i>	Disability		
	Gender Re-assignment		
	Race		

5.1
Background 2

	Religion	✓	
	Sex		
	Sexual Orientation		
	Marriage & Civil Partnership		
	Pregnancy & Maternity		
Information Gaps	Opinions of children, young people.		
What is the Impact	<p>The Equality Act 2010, Schedule 3, Part 2 provides an exemption to discrimination on the grounds of religion or belief in relation to transport to and from school.</p> <p>The Local Authority remains under a general duty to have regard to the wish of a parent for their child to be provided with education at a particular establishment on the grounds of the parents’ religion or belief. Other than the statutory duty towards secondary school pupils who are from low income families, there is no duty to provide free transport to denominational schools for children generally.</p> <p>As previously outlined, 33 children attend St Teresa’s Primary School receive free home to school travel support. The removal of the discretionary provision will impact on 33 children who currently attend the school and future attendees.</p>		
Aim 1: Eliminate unlawful discrimination, harassment, victimisation, and any other conduct prohibited by the act.			
N/A			
Aim 2: Advance Equality of opportunity, between people who share protected characteristics and those who don’t.			
N/A			
Aim 3: Foster good relations between people who share a protected characteristic and those who do not share it.			
N/A			
Addressing the impact	1. No Major Change		
	2. Adjust/Change		
	3. Continue as is		
	4. Stop/Remove		
Action identified	Responsible Officer	By When	How will this be evaluated?
Consultation will be carried	Peter McIntosh/Paul	March 2012	People have been asked whether they

5.1 Background 2

out with schools, Transport Champions Group, Neighbourhood Forums, Head Teachers, and other relevant agencies.	Robson		<p>think free travel should be stopped for all children or just new applicants. Parents will also be asked if they are prepared to pay travel costs themselves.</p> <p>The results will be included in a report to Cabinet and will also impact on future provision.</p>
Date sent to Equality Rep for publishing		00/00/00	

CABINET

19th November 2012



Report of: Corporate Management Team

Subject: MEDIUM TERM FINANCIAL STRATEGY
(MTFS) 2013/14 TO 2016/17 – UPDATE

1. TYPE OF DECISION / APPLICABLE CATEGORY

Non Key Decision.

2. PURPOSE OF REPORT

2.1 The purpose of the report is to provide an update of changes since the MTFS was considered by Cabinet on 4th October 2012 in relation to:

- The Early Intervention Grant;
- Local Authority Central Spend Equivalent Grant (LACSEG)
- Council Tax Freeze Grant and Referendum trigger points for 2013/14; and
- Local Government Finance Settlement Announcement.

3. BACKGROUND

3.1 The report to Cabinet on 4th October provided a comprehensive analysis of the financial position facing the Council for the next four years and enabled Cabinet to commence the formal budget consultation process for 2013/14.

3.2 The previous report indicated that the position on funding levels for 2013/14 and future years is uncertain and key announcements continue to be made by the Government, for example on 7th October 2012 the Government issued a press release outlining proposals to freeze Council Tax for 2013/14 and to pay a 1% grant to authorities to compensate them for freezing Council Tax. The actual impact of Government proposals on a wide range of policy and funding changes will not be known until December 2012 when the Chancellor makes his Autumn statement and the Local Government 2013/14 Finance Settlement is issued.

3.3 This report updates Members on specific issues which have arisen since the previous report was considered.

4. Early Intervention Grant (EIG)

- 4.1 The EIG was established in 2011/12 and funded from a number of specific grants and grants paid via the former Area Based Grant. The EIG allocated to Hartlepool for 2011/12 was £7.14m, which was nearly 22% lower than the previous separate grant allocations. For 2012/13 the EIG allocation is £7.24m. Hartlepool's EIG allocation for 2012/13 includes floor damping protection of around £2 million and in response to the Government consultation we have stressed that this needs to be maintained.
- 4.2 On the 8th October 2012 the Local Government Association (LGA) issued a briefing paper outlining their concerns regarding national changes to the EIG announced by the Government covering:
- The transfer of funding from the EIG of £534 million in 2013/14 and £760 million in 2014/15 into the Dedicated Schools Grant to be used to expand provision for disadvantaged two-years olds;
 - £150 million in each of 2013/14 and 2014/15 to be retained by the Department for Education for central purposes. The LGA have expressed concerns that 'the Government provided no justification for this arbitrary reduction in the local government settlement, nor has it offered any explanation for how this money will be utilised'.
- 4.3 For Hartlepool the transfer of EIG into the Dedicated Schools Grant is expected to be budget neutral and will reduce the EIG allocation from £7.24m to £6.44m to fund the transfer of responsibility for free 2 year old nursery provision from the EIG to the Dedicated Schools Grant.
- 4.4 The impact of the other changes on individual authorities will not be known until December 2012 when the Local Government Settlement and School Funding Settlement are known. However, indicative figures provided by the Government indicate that Hartlepool's restated EIG will be reduced from £6.44 million in the current year to £5.29m in 2013/14; this is a reduction of £1.15 million. In total Hartlepool's EIG is expected to be cut by 15% compared to a national reduction of 11%. Depending on the final arrangements for transferring this funding there is a risk the actual cut in Hartlepool's EIG may be higher, as this has happened in previous years when other grants have transferred into the main Formula grant.
- 4.5 The national EIG allocation is forecast to reduce by a further 6% in 2014/15, which if applied to Hartlepool equates to a reduction of £0.37m. However, it is anticipated that the pattern of higher local cuts applying in 2013/14 will again apply in 2014/15, which could result in a funding cut nearer to £0.5m. Therefore, the Council faces a permanent reduction in EIG funding of £1.1m in 2013/14, increasing to

£1.6m in 2014/15. Over a two year period this is reduction in funding of £2.7m.

- 4.6 The risk of future EIG funding cuts have been reported to Members previously, in particular the risk in relation to the floor damping of this grant. In the Council's response to the 'Business Rate Retention – Technical Consultation' strong support for retaining this floor damping protection was expressed. Given the cuts detailed in the previous paragraph it is now essential that the Government maintain this protection.
- 4.7 It has also been reported previously that even if the floor damping protection was maintained in 2013/14 and future years that the Council would still need to manage reductions in EIG funding. It has not previously been possible to quantify this financial risk.
- 4.8 However, in response to this risk a careful assessment of EIG commitments has been adopted since this funding regime was introduced as part of a strategy for managing future EIG funding cuts. This strategy delivered an under-spend in 2011/12, part of which is committed to support the development of a Children's Home and the balance earmarked to support services to reduce Child Poverty and other EIG potential commitments and future grant reductions. It is also planned to achieve an under-spend in 2012/13. Based on current forecasts this strategy should provide one-off funding as follows:

	£'m
2011/12 EIG underspend of £0.142m earmarked in a specific 'Supporting Family Poverty Reserve'. Full Council approval to release this amount will be needed.	0.142
There was also a contribution to this reserve of £0.177m from the General Fund 2011/12 outturn, of which £10,000 has been allocated for the Food Bank project as approved by full Council.	
2011/12 EIG underspend – earmarked for other EIG potential commitments and future grant reductions	0.454
2011/12 final EIG underspend of £0.135m transferred to General Fund reserve, less £0.1m full Council approved to be allocated towards developing a Children's Home	0.035
2012/13 forecast underspend *	0.800
Total available one-off funding*	1.431

* This figures could increase by £0.1m depending on the actual outturn for 2012/13, which would mean that total one-off resources of £1.431m to £1.531m may be available.

- 4.9 In view of the forecast EIG funding cut for 2013/14 and 2014/15, currently estimated at £2.7 million in total for the two years, it is recommended that the one-off resources detailed in the previous paragraph are allocated to temporarily offset these grant cuts. This will not provide a permanent solution, although it will avoid an additional General Fund budget pressure in 2013/14 which would need to be funded by cutting other services by more than currently planned. This proposal will also provide a longer lead time to assess the implications of reducing EIG services to the level of the ongoing EIG funding and enable Members to determine their priorities.
- 4.10 In December 2011, Cabinet approved the Early Intervention Strategy outlining the vision of Hartlepool Children's Partnership for local families whose children are at risk of being disadvantaged, falling behind their peers and not reaching their full potential. The strategy detailed a new model of service delivery that focused on prevention and early intervention ensuring children, young people and their families receive support in a timely way and tailored to their individual circumstances. The strategy is focussed on delivering targeted services to vulnerable families in specific areas of disadvantage but with the flexibility to provide a universal offer across the town.
- 4.11 Since approval of the strategy, the re-modelled service has been rolled out through the commissioning of a range of services from the voluntary and community sector to deliver support services which underpin the strategy, for example parenting programmes, sector specialists, activities for children and young people and mentoring. In addition the previously traditional age related services, for example SureStart, Integrated Youth Service and Children's Fund have been remodelled to provide a single point of contact for those requesting services through the Information Hub and two multi disciplinary 0-19 locality teams that provide family support services. The service became fully operational in June 2012 when the teams reconfigured into the integrated locality teams and since that time has been providing early intervention services to approximately 270 vulnerable children, young people and their families.
- 4.12 The strategy was developed taking into consideration national research around the value and benefits of early intervention, for example the published reviews undertaken by, amongst others, Graham Allen M.P., Frank Field M.P., Dame Clare Tickle and Professor Eileen Munro. It is based on a clear assessment of the needs of vulnerable children and young people in Hartlepool taking into consideration a range of deprivation indicators linked to poor outcomes. Since its implementation, positive reports have been received regarding the value of the early intervention services, for example during the recent safeguarding peer review, the review team highlighted the strategy and initial roll out as an area of strength which has been well received by staff and partners.

- 4.13 It is too early to measure the impact, benefits and outcomes achieved by the new services, however there has been a noticeable reduction in the number of contacts received by children's social care indicating these are now being effectively redirected to the Information Hub. This reduction is not replicated in the number of referrals received by social care however and work is planned in November to undertake an audit of the referrals to the early intervention and social care services to ensure that families are receiving the right services at the right time. The Early Intervention Strategy is a long term one that will take some considerable time before the full impact and benefits can be measured. Early indications are positive and a greater number of children in the town are receiving early help to prevent needs from escalating and becoming more acute.
- 4.14 It is essential that the grant cuts are managed in a planned and measured way and the scale of the grant reductions will require a further complete review and redesign of the service delivery model. In addition, there are a number of statutory duties funded through the Early Intervention Grant such as Children's Centres and Information Duty, these duties need to be continued by the local authority and must be given full consideration. It is proposed that a year one review of the strategy is completed early in 2013/14 so that the service can understand the most effective elements of the strategy and what interventions are making the most difference to children's lives. This information will inform the scaling back and service redesign of the early intervention provision. The allocation of resources to offset the grant cuts for 2013/14 will enable this work to be completed in a robust manner, informed by performance management information gathered over the period of one year and will lead to evidence based decisions in relation to managing the cuts.
- 4.15 If Members approve the above proposal a detailed strategy will be submitted to a future Cabinet meeting. This will include the impact of redundancy / early retirement costs which will need to be funded from the Council's overall redundancy / early retirement provision as these costs cannot be funded from the available EIG.
- 4.16 If Members do not approve this proposal a strategy for cutting services by 15% from April 2013 will need to be developed and implemented within the next 5 months.

5. Local Authority Central Spend Equivalent Grant (LACSEG)

- 5.1 Previous reports advised Members of the cuts in the Formula Grant arising from the transfer of Local Education Authority (LEA) funding to academies to reflect the transfer of responsibilities to individual schools. This position affected all LEAs irrespective of the number of academies in an individual authority's area and meant that in 2011/12 and 2012/13 Hartlepool lost funding even though there were no academies. The arrangements for top slicing the Formula Grant do not

reflect the costs which will remain with LEA, even if all schools became academies, and a number of authorities instigated a legal challenge against the Government decision.

- 5.2 The 2012/13 budget included a provision of £0.28m to off-set the grant reduction. This amount will not be needed in the current year as, following legal challenge by a number of authorities, the Government have withdrawn these arrangements and will be refunding the grant cuts already made for 2011/12 and 2012/13. Detailed allocations for individual councils are not yet known, although it is anticipated Hartlepool may receive a refund for these years of £0.48m. Assuming this amount is received this will mean the Council has £0.76m (£0.28m in-year budget underspend, plus £0.48m one-off grant refund) of one-off resources at the end of the current year.
- 5.3 Whilst the Government has now reversed the previous arrangements for transferring funding they have indicated that new arrangement will be implemented for 2013/14. The new arrangements will involve removing Local Authority Central Spend Equivalent Grant (LACSEG) from the main Formula Grant from 2013/14. The national amount top sliced from the Formula Grant will then be allocated by the Government between LEAs and academies in each LEA's area. The more academies there are in an area the lower the funding which will be allocated to the LEA. There is a significant risk that the funding allocated to individual authorities will not be sufficient to fund statutory, regulatory and overhead costs currently funded from LACSEG. This risk will increase as more schools become academies.
- 5.4 Nationally this funding change will remove £1.2 billion from the Formula Grant and initial figures provided by the Department for Communities and Local Government indicates that Hartlepool's Formula grant will be reduced by £2.35m. As one secondary school has indicated it is to become an academy it is anticipated that the amount of specific funding allocated back to Hartlepool will be £2.15m, a reduction of around £0.2m on the current funding allocation. If more Hartlepool schools become academies further in-year grant reductions will be made during 2013/14 and future years. It is estimated these reduction will be £200,000 per secondary school and £45,000 per primary school. In addition, if more schools become academies during 2013/14 or future years the Government may top slice the national funding and make in-year reductions in individual authorities grant allocations.
- 5.5 At this stage it is anticipated the forecast grant cut of £200,000 can be funded from the budget provision of £280,000 included in the MTFS. It is recommended that the uncommitted budget of £80,000 is earmarked to offset additional in-year grant reductions which it is expected will be made when other schools become academies, as two primary schools are expected to convert during 2013/14. If this occurs the expected in-year grant cut is £90,000, which will mean there is a funding shortfall of £10,000, although this would increase if more schools become

academies. It is recommended that this shortfall is funded from the one-off resources detailed in paragraph 5.2 and the remainder of these resources earmarked to manage the impact of additional schools becoming academies in 2013/14 and future years.

- 5.6 This strategy is not sustainable, as the funding cuts when schools become academies are permanent, and a strategy needs to be developed to address this issue. This strategy needs to determine the minimum level of resources which will be needed to discharge the Council's statutory and regulatory duties as an LEA. It also needs to address the impact on overheads currently funded from the LACSEG. At this stage it is not known how much funding will be provided for these costs, whether the required services can be delivered within the available resources, or whether there will be a budget pressure in 2014/15 and future years.
- 5.7 The availability of this one-off funding provides the Council with the necessary financial flexibility to review this position over the next 12 months and to develop a strategy for managing this position. It is therefore recommended that the one-off funding not needed to fund grant reductions in 2013/14 is allocated towards developing this strategy. This will also include the impact of redundancy / early retirement costs which will need to be funded from the Council's overall redundancy / early retirement provision.

6. Council Tax Freeze Grant and Referendum trigger points for 2013/14

- 6.1 Following the Cabinet meeting on the 4th October 2012 the Government announced details of the proposed 2013/14 Council Tax Freeze Grant and referendum trigger points, as follows:
- Council Tax Freeze Grant – a 1% grant will be paid to local authorities which freeze the 2013/14 Council Tax at the current level. This grant will be paid for two years - 2013/14 and 2014/15.
 - Council Tax referendum threshold – this will be reduced from 3.5% in 2012/13 to 2% in 2013/14.
- 6.2 It is anticipated that the above proposal will be formally approved by Parliament in December 2012 and will therefore apply for 2013/14 as these issues need to be approved by Parliament on an annual basis.
- 6.2 The June 2012 MTFS report recognised the risk of the Government reducing the Council Tax referendum thresholds and recommended reducing the forecast annual Council Tax increases included in the MTFS for 2013/14 to 2016/17 from 3.5% to 2.5%. This proposal was approved by Cabinet and increased the budget deficits over the period of the MTFS.

- 6.3 In view of the Government's recent announcement Cabinet needs to reconsider the level of Council Tax for 2013/14 and the planning assumptions included in the MTFS. In considering this issue Cabinet will need to consider the opposing needs of protecting the Council's ongoing resource base, which is particularly important during a period of Government grant reductions, and the impact of Council Tax increases on household budgets which continue to be under significant pressure.
- 6.4 To enable Cabinet to begin to consider the options for 2013/14 the impact of either setting a Council Tax increase just below 2% i.e. at 1.99% for 2013/14, or accepting the freeze grant are set out below. The table shows the additional budget cuts which will be required over and above those already forecast in the MTFS and highlights that both these options have an adverse impact on the Council's financial position and the cuts which need to be made. As reported previously temporary Council Tax freezes result in permanent funding reductions and by 2015/16, when the initial 4 year 2011/12 Council Tax Freeze Grant and the 1 year 2012/13 Council Tax Freeze Grant fall out of the resource base the Council's ongoing Council Tax income will be £2 million lower than it would have been if Council Tax in 2011/12 and 2012/13 had been increased by 2.5% (which would still have been below inflation). The loss of this income increases the budget cuts which need to be made over the period of the MTFS and compound the impact of forecast Government grant cuts over the period 2011/12 to 2016/17 of nearly £16m.
- 6.5 At this stage it is recommended that Members consider the information detailed in the following table and defer a decision on the level of Council Tax until December when details of the 2013/14 Government grant allocation will be known.

Additional budget cuts required from either reducing planned Council Tax increase or accepting Council Tax Freeze grant

	13/14 £'000	14/15 £'000	15/16 £'000	Total £'000
<u>2013/14 Council Tax increase by 1.99%</u> Ongoing Council Tax income from 2013/14 will be £0.2m lower as a result of reducing planned 2013/14 Council Tax increase from 2.5% to 1.99%	200	0	0	200
<u>Freeze 2013/14 Council Tax</u> Planned 2013/14 Council Tax increase would have generated ongoing additional income of £1m. The Council Tax freeze grant will be £0.4m for 13/14 and 14/15.	600	0	400	1000

- 6.6 For 2014/15 it is recommended that the MTFS Council Tax increase is reduced from 2.5% to 2%. For 2015/16 and 2016/17 it is recommended that the indicative increases of 2.5% are maintained.

7. Local Government Finance Settlement Announcement 2013/14

- 7.1 The Government have not formally announced the date for the Local Government Finance Settlement, which in previous years has been made in late November/early December (the 2012/13 announcement was made on 8th December 2011).
- 7.2 The 2013/14 announcement cannot be made until after the Chancellor's Autumn Statement, which is scheduled to be made on 5th December 2012. Initial indications suggest that the 2013/14 announcement may not be made until 19th December 2012, which is the last day of Parliament before the Christmas recess. It is unclear if this announcement will provide a one year settlement for 2013/14 or a two year settlement for 2013/14 and 2014/15. It is also unclear if the late announcement of the provisional settlement will delay the final settlement, which is traditionally made in January, and needs to be made before local authorities can complete the necessary statutory processes and calculations to set a budget and Council Tax for 2013/14.
- 7.3 Clearly, if the 2013/14 provisional Local Government Finance Settlement announcement is delayed until the 19th December date this will have significant implications for all local authority budget timescales. The timing of this announcement is particularly challenging for 2013/14 owing to the range of changes proposed to grant regimes (including the issues detailed in sections 4 and 5) and also the linkages to the development of local Council Tax Support schemes as the announcement will provide details of individual authorities grant allocations towards these costs.
- 7.4 At the time the report was prepared, work was progressing to produce a revised budget timetable to manage the impact of the settlement announcement being delayed until late December and to enable a budget to be set in February. A comprehensive MTFS report will still be submitted to Cabinet on 17th December 2012, although additional report(s) will be needed once details of the actual 2013/14 grant cuts are known.
- 7.4 As Members will be aware from previous years the early setting of the budget in February is critical as this enables Council Tax bills to be sent out in sufficient time to begin collecting payments from 1st April. Given the impact of introducing a local Council Tax Support scheme for 2013/14 setting the budget as early as possible in February is even more important. Cabinet may wish to begin discussions with Scrutiny Co-ordinating Committee on the impact of this revised timetable.

8. CONCLUSION

- 8.1 The report provides an update on specific Government proposals in relation to the Early Intervention Grant (EIG) and Local Authority Central Spend Equivalent (LASCEG) which have been announced since the MTFS was considered on 4th October. In both cases grant funding will be cut in 2013/14 and these reductions are in addition to the Formula Grant cuts addressed in the MTFS.
- 8.2 The report advises Members that one-off resources are available to help manage these reductions in 2013/14 on a temporary basis, although this will not provide a permanent solution. It is therefore recommended that Cabinet approves these proposals and notes that detailed proposals for managing these funding cuts on a permanent basis will be developed and reported to a future Cabinet meeting.
- 8.3 The report outlines the impact of the Government's lower Council Tax referendum thresholds and 2013/14 Council Tax Freeze Grant. At this stage it is recommended that Cabinet notes this position and defers a decision on whether to increase Council Tax or to accept the Council Tax Freeze Grant until December when the 2013/14 grant allocation will be known.
- 8.4 With regard to the announcement of the 2013/14 Local Government Settlement the report indicates that the Government have not yet provided a date for this announcement, which may be delayed until 19th December 2012. The timing of this announcement is critical in relation to significant decisions which will need to be made on the 2013/14 budget and the implementation of the Local Council Tax support scheme. If this announcement is delayed until 19th December 2012 this will reduce the time available to Councils to manage these difficult and challenging changes.

8. RECOMMENDATIONS

- 8.1 It is recommended that the Cabinet
 - i) note the report;
 - ii) Approve the proposed strategy to earmark the EIG accumulated underspend/reserves of £1.431m to £1.531m (final figure will depend on 2012/13 outturn) to manage the permanent reductions in EIG funding in 2013/14 of £1.1m (increasing in 2014/14 to £1.6m) and to note that a detailed report will be submitted to a future meeting (no later than June 2013) setting out a proposed strategy for reducing EIG services to the level of the ongoing EIG funding;

- iii) Approve the proposed strategy to earmark the 2012/13 LACSEG underspend and the one-off refund of grant reductions totalling £0.760m to manage the reduction in LACSEG funding in 2013/14, currently estimated to be £0.2m and to allocate the remaining amount to manage future funding cuts which will be implemented as schools become academies. To note that a detailed report will be submitted to a future meeting (no later than June 2013) setting out a proposed strategy for managing LACSEG services within a reduced funding level;
- iv) To note the impact of either reducing the planned Council Tax increase, or accepting the 2013/14 Council Tax Freeze Grant on the level of savings required in 2013/14 and to defer a decision on this issues until December 2012 when the 2013/14 Formula Grant will be known;
- v) To note the impact on the budget timetable if the 2013/14 Local Government Finance Settlement is not made until 19th December 2012 and to consult with Scrutiny Co-ordinating Committee on the revised timetable;
- vi) To note the above proposal will need to be reported to full Council in February as part of the proposed 2013/14 Budget and Policy Framework;
- vii) Refer this report to Scrutiny Co-ordinating Committee as part of the 2013/14 budget process and seek views on the issues detailed in the report.

9. REASONS FOR RECOMMENDATIONS

- 9.1 To enable Cabinet to develop strategies for managing additional funding cuts and changes in Council Tax referendum levels.

10. APPENDICES

- 10.1 None

11. BACKGROUND PAPERS

- Cabinet report 4th October 2012 – MTFS 2013/14 to 2016/17
- Cabinet report 11th June 2012 – MTFS 2013/14 to 2016/17
- Cabinet report 3rd September 2012 – MTFS – Strategy for Managing Financial Risks
- Cabinet report 3rd September - 2013/14 Localisation of Council Tax Support

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CABINET REPORT

19th November 2012



Report of: Corporate Management Team

Subject: Quarter 2 - Strategic Financial Management Report

1. TYPE OF DECISION/APPLICABLE CATEGORY

Non Key Decision.

2. PURPOSE OF REPORT

2.1 The purposes of the report are:

- i) to provide details of the reserve review requested by Cabinet in September;
- ii) to inform Cabinet of details of progress against the Council's overall revenue budget for 2012/13 and the in year savings targets set by Cabinet;
- iii) to inform Cabinet of details of the Early Intervention Grant Outturn;
- iv) To provide details of progress of achievement of capital receipts against the target; and
- v) Quarter 2 Capital Programme Monitoring.

3. BACKGROUND

3.1 The Medium Term Financial Strategy (MTFS) report in September highlighted the additional significant one off financial risks facing the Council over the next 4 years. These issues are in addition to ongoing budget deficits over the same period. A number of these issues will begin to impact from April 2013. Other issues have a longer lead time although these are still unavoidable commitments. These issues are summarised in the following table:

Summary of Issues	£'000
Proposed changes to formula grant	600
Changes to population figures	250
Business Rates Retention – Safety Net threshold risk and impact of power station	1,000
Forecast Redundancy and early retirement costs up to 2016/17	2,500
Provision for income shortfalls 2014/15	500
Provision for delayed implementation of planned 2013/14 and 2014/15 savings	500
Total Additional Financial Risks	5,350

- 3.2 In order to manage these financial risks and to avoid increasing the budget savings which will need to be made over the next 4 years a robust strategic approach needs to be implemented to manage and fund these risks. There are two components to this strategy.
- 3.3 The first component of the strategy was to undertake a further review of reserves and a target of between £2m and £2.5m was set.
- 3.4 The second component of the strategy set under spends targets for the current year for both corporate and departmental budgets.
- 3.5 An in-year savings target of £2m was recommended for corporate budgets and an in-year 2% savings target for overall departmental expenditure equating to £1.4m be allocated to individual departments as follows:

Departmental Savings Target	£'000
Child and Adult Services	800
Chief Executive's Department	180
Chief Executive's Department underspend allocated to fund ICT procurement costs	(80)
Regeneration and Neighbourhoods	500
Total	1,400

- 3.6 This report provides an update on progress against these targets.

4. Review of Reserves

- 4.1 Members will recall that a comprehensive review of reserves was carried out as part of the 2012/13 budget process and identified reserves which needed to be retained to manage previously identified risks and /or to fund known unavoidable commitments. Therefore, there is only limited scope for identifying further reductions in existing reserves.
- 4.2 The value of reserves at the 31st March was £49.988m. This includes reserves Held in Trust for schools which cannot be spent by the Council, Ring fenced Grants which can only be spent in accordance with the conditions of the grant, the Budget Support Fund which is committed against the 2012/13 MTFS and capital reserves earmarked to fund capital expenditure commitments rephased into 2012/13.
- 4.3 In addition, during the audit of the 2011/12 accounts the auditors identified two Earmarked Reserves which should have been accounted for as Provisions. This was not amended at audit as the auditor did not consider these to be significant, and it was agreed that this amendment would be actioned in the 2012/13 accounts and this reduces reserves by £1.273m.
- 4.4 When account is taken of the above amounts the net reserves available for review is £31.609m, as summarised below.

Reconciliation	£'000
Total Reserves 31.3.12	49,988
less Audit Adjustments - Transfer of Reserves to Provisions	(1,273)
	48,715
<u>Less Reserves Held in Trust/Committed</u>	
School Reserves	7,155
Ring Fenced Grants	1,971
Capital Reserves	6,775
Budget Support	710
Lotteries & Museums	495
Total Reserves Available for Review	31,609

4.5 Appendices A to D provide detailed schedules of the net reserves of £31.609m summarised above. These appendices provide an explanation of the risk individual reserves are earmarked to manage and the reason individual reserves need to be maintained. As previously reported reserves are held to manage a range of risks and many of these risks will occur in future years. It is therefore important to maintain these reserves to protect the Councils medium term financial position. These reserves can only be used once and when they are used any unfunded risks will need to be funded from the revenue budget.

4.6 The review of reserves is based on a detailed re-assessment of the risks individual reserves were originally earmarked for. This re-assessment of risk identifies which reserves need to be maintained, those that can be scaled back and those that are no longer needed. In total the re-assessment of risks has identified £2.280m of reserves which can be released to partly fund the forecast one-off strategic costs.

5 2012/13 Forecast Outturn – Corporate Budgets

5.1 The 2012/13 in year savings target for Corporate was set at £2m. Progress against this target is shown below:-

Savings Targets Set by Cabinet 03/09/2012 £'000		Range for Forecast In Year Savings 2012/13	
		From £'000	To £'000
2,000	Corporate (Pay Award and Interest Saving)	2,000	2,000
0	Members Allowances	40	40
0	Corporate - Energy	150	300
2,000	Corporate Total	2,190	2,340

- 5.2 In relation to corporate budgets the in-year achievable savings includes the impact of the national decision not to have an April 2012 pay award. This position was not known when the 2012/13 budget was set and a prudent provision was included for a small pay award targeted at the lower paid, in line with the situation applying in other parts of the Public Sector. As this amount is now not needed there will be an in-year saving of around £0.9m. The ongoing benefit has already been reflected in the revised budget deficit figure for 2013/14.
- 5.3 In addition, it is expected that the Council should be able to continue to benefit from current interest rate structures by actively managing investments and borrowings. A comprehensive review of the Treasury Management Strategy is currently being undertaken. It is envisaged that this will identify an on-going saving of £1m, which can be taken in 2014/15.
- 5.4 Following the local elections in May and the subsequent appointment of Members to those positions which attract a special responsibility allowance (SRA), a projected saving of £0.040m is expected on Members allowances. This reflects the reduction in Cabinet Members from 7 to 3; reduction in Neighbourhood Chairs from 3 to 2 and 4 SRA's which are not currently being paid.
- 5.5 There is also expected to be a benefit from NEPO actions to secure lower gas and electric charges for 2012/13. However, this will depend on the weather conditions during the winter months.

6 2012/13 Forecast Outturn – Departmental

- 6.1 A comprehensive assessment of forecast in year savings has been completed for all areas against the savings targets set and approved by Cabinet on the 3rd September. This assessment is based on a detailed analysis of current expenditure levels, expected trends for the remainder of the year and information available at this time.
- 6.2 These forecasts reflect the continued action by departments to manage expenditure robustly to maximise financial flexibility and to assist the achievement of the budget reductions which will be required in 2013/14. This includes keeping posts vacant to either enable permanent savings to be made, or to enable staff to be redeployed and avoiding other expenditure where this can be achieved without an adverse impact on services in the current year.
- 6.3 At this stage a range of forecast departmental outturns is anticipated which reflects potential seasonal factors over the remainder of the year. These forecasts are summarised below. The table shows a range of for forecast departmental outturns of £1.190m to £1.860m. The higher forecast reflects the highly unpredictable nature and cost of different services for disabled children with complex care needs, demographic pressures for Older People both in

6.2

residential care and non-residential settings and the volatility of budgets areas which rely on income from fees and charges.

Savings Targets Set by Cabinet 03/09/2012 £'000	Department	Range for Projected In Year Savings for 2012/13	
		From £'000	To £'000
800	Child & Adult Services	490	810
100	Chief Executives	110	230
500	Department Regeneration & Neighbourhoods	590	820
1,400	Corporate Total	1,190	1,860

- 6.4 The forecast in year savings are supported by detailed Financial Management Statements by department which includes comments on material variances. These are set out in Appendices E to G.

6.5 Creation of Departmental Reserves

The above outturn projection reflects the creation of the following reserves which need to be made to fund the phasing of income and expenditure between financial years.

Reserve	£'000
<u>Education Psychology</u> - Creation of reserve to cover funding for the service to the end of the academic year.	106
<u>Youth Offending Service</u> - The partnership budget includes Home Office Grant funding and Partner contributions, future funding is uncertain and it is proposed that the underspend is carried forward to 2013/14 to manage these risks.	62
<u>Social Housing</u> - Saving on borrowing costs from the Community Housing project. This permanent saving is earmarked from 2013/14 onwards to fund the borrowing costs associated with the expansion of the Empty Homes project approved by council on 18 th October, 2012.	80
Creation of Reserves Total	248

6.6 Summary of Reserve Review and Outturn Position

- 6.7 The previous paragraphs provided details of progress against the targets previously set for the reserve review and in year underspends. In total the management of these areas is forecast to achieve one off resources of between £5.345m and £6.165m, as summarised below:-

Targets Set by Cabinet 03/09/2012 £'000	Department	Range for Forecast In Year Savings 2012/13	
		From £'000	To £'000
2,500	Reserve Review	2,280	2,280
2,000	Corporate Budget	2,190	2,340
1,400	Departmental Budget	1,190	1,860
0	Empty Property Project *	(315)	(315)
5,900	Grand Total	5,345	6,165

*In accordance with the Council resolution of 18th October 2012 part of the underspend may need to be earmarked to support this scheme.

- 6.8 As reported in September the additional financial risks facing the council at that time were estimated to be £5.35m. The one off resources forecast from the reserves review and robust management of 2012/13 budgets exceeds this amount. However, since the assessment of risk was undertaken in September additional risks have emerged as a result of changing Government policies, including potential changes affecting the Localisation of Council Tax Support, Council Tax Referendum thresholds and proposals to freeze Council Tax. Therefore, as reported previously it is recommended that the forecast uncommitted resources are not committed until the Government provide final details of these changes and also announce the 2013/14 Local Government Grant Settlement. This approach will provide one off financial flexibility to manage any unforeseen changes and ongoing uncertainty relating to Government policy changes.

7. Projected Grant Income to be Earmarked to fund 2013/14 Expenditure

- 7.1 As previously reported Department of Health and PCT budget arrangements have less year end flexibility to carry forward resources at the end of the financial year than local authorities. At a national level this often results in additional one-off funding from the Department of Health to councils being provided towards the year end. Similarly, the Council works closely with the local PCT to ensure resources allocated to the Hartlepool area are retained in the town. To address these issues the Council carries forward this funding at the end of the financial year as an Earmarked Reserve to meet defined national and/or local spending priorities defined or agreed with the funders. This funding is for social care services that impact on health outcomes and has longer term benefits. The current estimate of the funding which will need to be carried forward as an Earmarked Reserve is £0.600m. The final amount is likely to be higher although the position will not be known until March 2013 when allocations are known.
- 7.2 Other grants may also be received in the current year to fund future year's expenditure. To date the known grants are Drug Action Team £0.100m and Street Innovation Fund £0.070m.

7.3 Early Intervention Grant

- 7.4 The Government has recently announced national changes to the EIG, including the transfer of funding from the EIG into the Dedicated Schools Grant and the retention of EIG by Department for Education for central purposes. The impact of these changes on individual authorities will not be known until December 2012 when the Local Government Settlement and School Funding Settlement are known.
- 7.5 However, indicative figures provided by the Government indicate that Hartlepool's EIG will be reduced from £7.24 million in the current year to £6.09m in 2013/14; this is a reduction of £1.15 million, which equates to cut of 15% compared to a national reduction of 11%.
- 7.6 A favorable outturn variance within the Early Intervention Grant between £0.800m and £0.900m is expected. The main reasons are the staged implementation of the free nursery entitlement for 2 year olds offer and the delay in recruiting to vacant posts. It is proposed to create a Reserve at year end for any under spend to minimise the implementation and impact of future years funding reductions.
- 7.7 A detailed report on the effect of changes to the EIG is included in the MTFS report elsewhere on this agenda.

8. Statement of Accounts

- 8.1 The Council is a complex organisation and the previous paragraphs provide an overview of the Council's financial position based on service and operational management arrangements. The management accounts provide financial accountability and transparency for different operational areas during the financial year. It also enables Members to make strategic financial decisions on individual operational areas to reflect specific funding requirements and service needs, as outlined in the previous paragraphs.
- 8.2 Where the Council is in receipt of specific grants but will not spend these in the current year the balances are transferred to earmarked reserves, current projections indicate that £0.770m will be transferred as shown in the table below.
- 8.3 At the year end the statutory Financial Accounts consolidate this information to provide a summary of the overall financial position. The presentation of the statutory Financial Accounts follows defined international accounting practices which are designed to enable comparisons to be made between different councils.
- 8.4 These arrangements present financial information in a different way, although the underlying figures are the same. A reconciliation of the projected management accounts and statutory accounts is shown below:

Description	Contribution From		Total £'000
	General Fund In Year Budget Savings £'000	Specific Grants £'000	
Projected In Year Savings Corporate Budget	2,340	0	2,340
Projected In Year Savings Departmental Budget	1,860	0	1,860
Empty Property Project	(315)	0	(315)
Contributions to Reserves			
Education Psychology	106	0	106
Youth Offending Team	62	0	62
Major Repairs (Social Housing)	80	0	80
Early Intervention Grant (EIG)	0	900	900
Primary Care Trust (PCT)	0	600	600
Drug & Alcohol Team	0	100	100
Economic Regeneration	0	70	70
Total Projection Contribution to Reserves	4,133	1,670	5,803

*

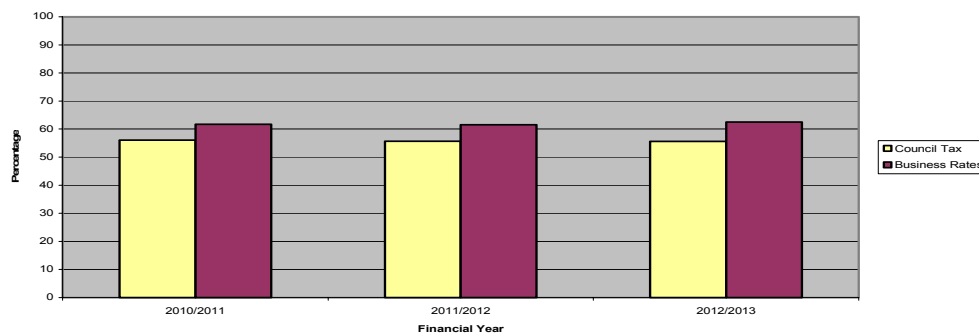
* This is an estimated figure. Additional PCT allocations will not be known until late March 2013.

9. Key Balance Sheet Information

9.1 A Balance Sheet provides details of an organisation's assets and liabilities at a fixed point in time, for example, the end of the financial year or other fixed accounting periods. Traditionally local authorities have only produced a Balance Sheet on an annual basis. It is however appropriate to monitor the key cash balance sheet items on a more regular basis and these are summarised below:-

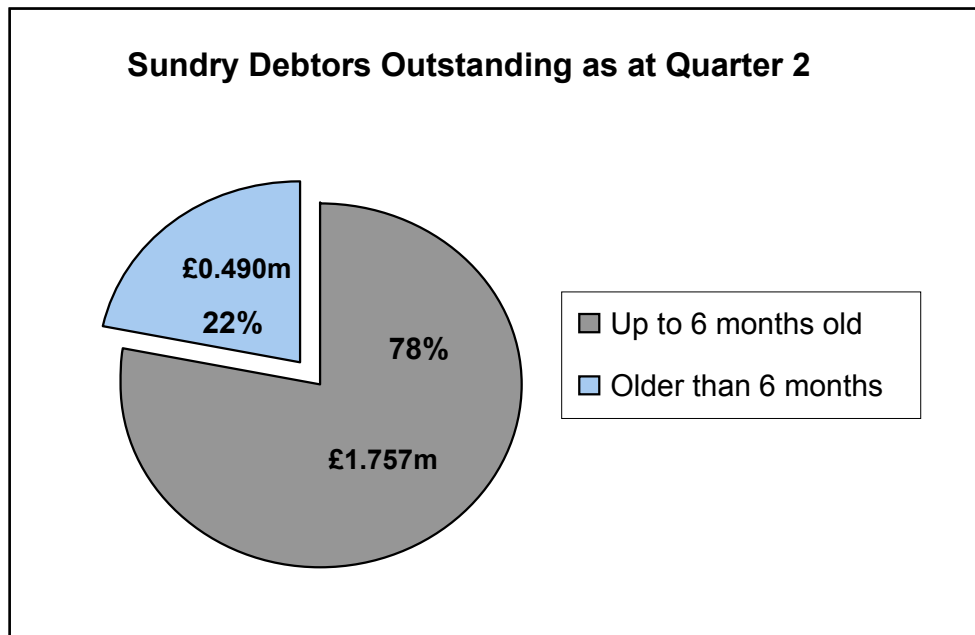
9.2 The Council's key debtors arise from the non-payment of Council tax. Business Rates and Sundry Debtors. These areas are therefore subject to detailed monitoring throughout the year. The position on Council Tax and Business Rates are summarised below:-

Percentage of Debt Collected at 30th September 2012



9.3 The Council Tax collection rate is down slightly by 0.07% and the NNDR collection rate has increased slightly by 0.92% when compared to the same period last financial year.

The position in relation to Sundry Debtors is summarised below:-



Total Debtors at 30th September was £2.247m of this £1.757m (78%) relates to current debts which are less than 6 months old. The remaining debtors total £0.490m of this amount £0.446m (91%) are being either paid by installments or subject to ongoing recovery action. Recovery action for the remaining 9% (£0.044m) has been exhausted and these may need to be written off as irrecoverable against the bad debt provision.

- 9.4 The Council's borrowing requirement and investments are the most significant Balance Sheet items. Decisions in relation to the Council's borrowing requirements and investments are taken in accordance with the approved Treasury Management Strategy. No new long term borrowing has been undertaken since 31st March 2011 owing to prevailing interest rates. The Treasury Management Strategy has continued to net down investments and borrowings as this is the most cost effective strategy and reducing investment counter-party risk

10. Progress Against Additional Capital Receipts Target

- 10.1 A substantial amount of work has been undertaken to identify surplus land and property within the Council's portfolio. A capital receipts target of £4.5m was approved as part of the 2012/13 MTFS. As reported in February 2012 this amount is needed over the next 3 years towards funding one off strategic costs relating to :

- Redundancy and early retirement costs;
- Housing Market Renewal Costs;
- Land remediation costs; and
- Capital Investment requirements.

- 10.2 Members will recall the 2012/13 MTFS highlighted that achieving this level of capital receipts in the current climate will be challenging and need careful management. If capital receipts are not achieved as forecast, costs will need to be funded from Prudential Borrowing. This would result in an unbudgeted revenue cost.
- 10.3 The Director of Regeneration and Neighbourhoods indicated that though challenging there was demand from developers for development sites across Hartlepool. Therefore, the sites identified for disposal were considered attractive and should achieve the required capital receipts.
- 10.4 Land sales of £1.7m are anticipated to have been achieved by the end of 2012/13, including sales completed earlier than anticipated in 2011/12. In line with the agreed capital receipts strategy £0.8m of this funding has been used to purchase the ambulance station to facilitate the sale of a larger site and the purchase of the Focus Site in order to make possible the sale of Tanfield Road Nursery Site. This will maximise the value of the anticipated capital receipts. A further £0.2m is earmarked to fund the demolition of the Brierton School top site which is currently underway. Therefore it is anticipated that net capital receipts of £0.7m will be available by 31st March 2013 to fund previously identified commitments.
- 10.5 The capital receipts target for 2012/13 was previously set at £1.4m on the basis of forecast 2012/13 Housing Market Renewal (HMR) expenditure commitments. The latest assessment of the HMR Project indicates that costs will now be rephased into 2013/14 and as a result the capital receipts will not be needed until the next financial year.
- 10.6 The Council still needs to achieve the remaining net capital receipts target of £3.8m over the next two years to meet existing capital expenditure commitments. A number of capital receipts are currently progressing and are anticipated to be completed in the early part of 2013/14. The achievement of capital receipts will continue to be managed carefully over the next two years.

11 Capital Monitoring 2012/13

- 11.1 The 2012/13 MTFS set out planned capital expenditure for the period 2012/13 to 2014/15. The overall in year capital budget has been updated to include expenditure rephased from 2011.12. This report provides details of the capital programme on a departmental basis.
- 11.2 Expenditure for all departments is summarised in the table below.

Department	2012/13 Budget £'000	2012/13 Actual to 30/09/2012 £'000	2012/13 Remaining Expenditure £'000	2013/14 Re-phased Expenditure £'000	2012/13 Variance from budget Adverse/ (Favourable) £'000
Adult & Community Services	1,563	289	1,368	0	94
Children's Services	12,248	1,784	6,553	3,911	0
Chief Executive	686	0	686	0	0
Corporate	2,297	468	1,829	0	0
Regeneration & Neighbourhoods	27,443	3,706	14,447	9,290	0
Total Capital Expenditure	44,237	6,247	24,883	13,201	94

11.3 The Table above shows actual expenditure to 30th September 2012 of £6.247m compared to the budget of £44.237m leaving £24.883m to be spent in 2012/13. Expenditure and resources of £13.201m will require rephasing into 2013/14.

11.4 The Table also currently shows an adverse variance of £0.094m on the Adult and Community Services departmental capital programme. This amount can be funded from the Social Care Transformation Capital Pot, which needs to be approved by the Adult and Public Health Portfolio Holder at the Portfolio meeting on the 28th November, 2012.

12. Conclusion

12.1 The Council is facing greater financial challenges over the next four years than it has faced since becoming a unitary authority in 1996, which reflects the following key issues:

- Continuing reductions in Government grants which it is anticipated will require savings of between £17m and £20m to be made over the next four years;
- Increased redundancy and early retirement over the 4 year period up to 2016/17 arising from the above budget deficits;
- Financial risks transferring to the Council from the localisation of business rates;
- Financial risks arising from the replacement of the national Council Tax Benefit Scheme, with a local Council Tax Support scheme and a 10% headline grant cut; and
- Achieving capital receipts of £4.5m by 2014/15 to fund one-off expenditure commitments including HMR and Early Retirement/Voluntary Redundancy costs.

12.2 The September MTFS also highlighted the additional one off financial risks facing the Council which were estimated to be £5.35m. A robust strategic approach was identified to manage and fund these issues. The one off resources forecast from the reserves review and robust management of 2012/13 budgets exceeds this amount. However, since the assessment of risk was undertaken in September additional risks have emerged as a result of changing Government policies, including potential changes affecting the Localisation of Council Tax Support, Council Tax Referendum thresholds and proposals to freeze Council Tax.

- 12.3 It would therefore be recommended that the forecast uncommitted resources are not committed until the Government provide final details of these changes and also announce the 2013/14 Local Government Grant Settlement. This approach will provide one off financial flexibility to manage any unforeseen changes and ongoing uncertainty relating to government policy changes. The position will need to be reviewed by Cabinet before finalising the detailed budget proposals to be referred to Council in February, 2013.

13. RECOMMENDATIONS

- 13.1 It is recommended that Cabinet:

- i) Note the report;
- ii) Refer the report to Scrutiny Co-ordinating Committee

14. REASONS FOR RECOMMENDATIONS

To enable Cabinet to monitor the strategy implemented to address additional financial risks over the next four years and monitor the Capital Programme.

15. APPENDICES AVAILABLE ON REQUEST, IN THE MEMBERS LIBRARY AND ON-LINE

Appendices E to G provide detailed financial information on the Departmental revenue budgets.

Appendices H to K provide detailed financial information on Departmental capital budgets.

16. BACKGROUND PAPERS

Medium Term Financial Strategy Report referred to Cabinet 3rd September 2012.

Medium Term Financial Strategy Report referred to Cabinet 4th October 2012

17. CONTACT OFFICER

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ANALYSIS OF RESERVES 2012 / 2013 -
CHILD & ADULTS - CHILDREN'S

Appendix A

Reserve	Balance as at 1st April 2012	Reason for/purpose of the Reserve	2012/13 Total Reserves Released by CMT	2012/13 Value of Reserve to be Retained	Reason for Retention
	£'000		£'000	£'000	
Looked After Children	1,065	Contribution to the Safeguarding and Specialist Services for the development of Looked After Children in this volatile area.	0	1,065	Current budget pressure of £440k, numbers of looked after children increasing with increasingly complex placement requirements. Reserve will be required to meet pressure.
Early Intervention Grant Reserve	454	Specific reserves created to cover temporary commissioning officers to support implementation of early intervention strategy and prevent breaks in contracts. Longer term funding arrangements for early intervention uncertain, reserve to support sustainability of service.	0	454	Reserve to be used to minimise the implementation and impact of future years funding reductions.
Think Family	222	2010/11 balance of grant funding to be carried forward to assist with continuation of service following reductions in grant allocations as part of the Early Intervention Grant.	(50)	172	Reserve supporting pilot and delivery of care service and support foster care scheme to reduce numbers of children looked after.

Youth Offending Reserve	166	Ring-Fenced as YOS is a Partnership Budget. Created from planned underspends in previous years to fund YOS initiatives.	0	166	Partnership budget with contributions from other agencies. High level of uncertainty of future funding arrangements for service due to partners indicating they intend to reduce contribution and revised grant funding formula for 2013/14
Ring Fenced Grants	163	A number of ring-fenced grants were underspent in previous years, therefore this Reserve was created in order to carry the funding forward into future years.	0	163	Risk of withdrawal of funding from PCT for young people's substance misuse service, required to mitigate this risk and cover contract costs. To be retained for further year whilst changes are implemented in health.
BSF Implementation Costs	362	This is the revenue reserve to fund the revenue costs of the School Transformation Team.	(266)	96	Revenue reserve to fund revenue costs of Head of Service and team
Care Matters	90	Contribution to the Safeguarding and Specialist Services for the development of Looked After Children in this volatile area.	0	90	Required to support service development of newly developed services for looked after children including supported accommodation and children's home.
Raising Educational Achievement	85	Incorporates funding to ensure the most vulnerable young people are tracked and supported to remain in education.	0	85	Reserve supporting teenage pregnancy workers in youth service during 2012/13. Service restructure planned and posts will be integrated into mainstream budget.
Educational Psychologists	32	Created to support initiative at Springwell school during	0	32	Covering maternity leave and costs of delivery of autism training.

Local Safeguarding Children's Board (Partnership Funding)	30	Ring-Fenced Reserve - This is Partnership Funding with other bodies. Relates to underspends carried forward from previous years.	0	30	Partnership budget with contributions from other agencies. Budget pressure arisen due to requirement to have independent chair.
Workforce Development	25	Balance of grant funding to be carried forward to support staffing requirements in future years.	0	25	Will be used in 2012/13 to fund over establishment recruitment of 2 newly qualified social workers for 6 months.
Child Poverty Local Duties	21	Late Notification of Grant allocation to be carried forward to fund targeted family work	0	21	Required to provide child home safety equipment for families.
BSF Implementation Costs	18	This is the revenue reserve to fund the revenue costs of the School Transformation Team.	0	18	Revenue reserve to fund revenue costs of Head of Service and team.
Performance Data - YOS	5	Reserve was established in 2011/12 to support Youth Offending Service to aid delivery of Performance returns	0	5	additional capacity in management information team to support performance data for YOS, required to provide accurate and timely returns to YJB
Brierton/Dyke House BSF Costs	1	Created to fund the costs of transporting Dyke House pupils to the Brierton Site during the BSF redevelopment of Dyke House School.	(1)	0	No longer required project complete.
Youth Opportunity Grants	2	Specific Grant Awards given to the Young People for activities during 2011/12.	(2)	0	
Community Facilities in Schools - Children's Services Funding	100	£100k contribution towards the deficit at St John Vianney Children's Centre which is held as a contingency sum	(100)	0	Reserve created for contingency to support schools running at deficit, no call on this reserve and school balances are improved.

Positive Activities for Young People	77	Reserve established in 2010/11 to carry forward Grant funding to assist with continuation of service following reductions in grant allocations as part of the Early Intervention Grant.	(77)	0	Early intervention grant now managed to deliver services
Sustainable Travel/Post 16 Travel	33	Funding towards Post-16 travel previously funded by government grants.	(33)	0	Contingency budget has not been required.
Raising Educational Achievement	5	Incorporates funding to enhance the Educational achievement and experience through Playing for Success.	(5)	0	
Total Reserves Child & Adults - Children's	2,957		(534)	2,423	

ANALYSIS OF RESERVES 2012 / 2013 - CHILD & ADULTS - ADULTS

Reserve	Balance as at 1st April 2012	Reason for/purpose of the Reserve	2012/13 Total Reserves Released by CMT	2012/13 Value of Reserve to be Retained	Reason for Retention
	£'000		£'000	£'000	
Adult Education	450	Created from LSC (Learning Skills Council) grant funding to address short and long term pressures from within the Adult Education service.	0	450	The balance that remains will be utilised to support Adult Education commitments.
Older People - SRR	421	Increased income received in 2010/11. To be used to fund demographic pressures on Older People.	0	421	Reserve to be deployed in 2012/13 to support the management of emerging pressures in older people's services.
Reablement Funding	315	PCT income received for reablement of service users.	0	315	PCT funding for social care was agreed to fund a three year programme, but timescales slipped due to delays in agreeing the plan and transferring the funding. The reserve will fund the final six months of the programme in 2014/15 plus any costs associated with exit strategy.

DOH - Social Care Integrated Support - Delayed Discharges	305	DOH monies received via PCT to be spent on support for vulnerable adults - to minimise the impact of discharges from hospital	0	305	Planned spend over three years on initiatives to manage winter pressures and reduce hospital admissions / delayed discharges.
PCT One-off Funding - Carers Funding	120	Reserve created from One-Off funding received from PCT close to financial year end to deliver priorities for Carers support	0	120	Reserve to be used over three year period to fund additional carers personal budgets / short breaks.
Seaton CC 'Management'	108	Balance carried forward from previous years. Some of this fund pertains to Children's Services. However, the amount is still being determined by the overseeing board.	0	108	Reserve fund for Seaton Carew facilities in relation development plan
Social Care Reform Grant	106	Reserve created from specific received grant in 2010/11. To be used to fund project slippage in 2011/12 and 2012/13.	0	106	This reserve is being deployed in 2012/13 to fund projects and fixed term posts where there has been slippage in previous years.
Mill House	146	The reserve arose from a rates rebate following a review of the leisure centre rateable values in 2006/07.	(45)	101	The £101k is targeted for utilisation at MHLC in 2012/13 with the balance being transferred to alternative corporate capital budgets, leading to a nil reserve balance within community services on this code.
Tall Ships Reserve	96	This reserve has been set aside to support the Tall Ships visit in 2010	0	96	closure of this account and payment of outstanding elements is expected within 2012/13

Supporting People Reserve	95	Reserve created from Grant underspend and earmarked for potential claw back. To be used to fund transition arrangements following SDO reductions.	0	95	As planned, this reserve is being used to support transitional arrangements following significant reductions in housing related support funding as part of the Business Transformation Programme.
PCT One-off Funding - Carers into Employment	60	Reserve created from One-Off funding received from PCT close to financial year end to deliver priorities around vulnerable people	0	60	Reserve is supporting two year post within Hartlepool Carers to support carers to access employment.
PCT One-off Funding - Hearing Loss Strategy	50	Reserve created from One-Off funding received from PCT close to financial year end to deliver priorities around Hearing Loss Strategy	0	50	Reserve will be used over two years to implement agreed priorities within the Hearing Loss Strategy.
Maritime Festival	35	To support the biannual festival	0	35	Carry forward of funding from previous years to contribute to the biannual maritime festival.
Public Health Phys Activity	29	Reserve created from PCT monies. Monies to be awarded by HBC in grants to the community and voluntary sector on behalf of the PCT.	0	29	PCT Funds allocated for community disbursement via the Community Activity Network (CAN) targeted towards sports activity.
Bowling Club Rental	25	Reserve created to fund rental charges that were waived for Bowling Club	0	25	This is an accountancy procedure to account for the lease rental 'holiday' granted to the HIBC by Portfolio Holder for Finance.
Archaeology Projects	22	Reserve to be used for specific archaeology projects following SDO reductions.	0	22	This relates to service income carryover to allow project income to sustain the service.
Tobacco Control	13	Reserve created to carry forward grant funding which covers a 2 year period.	0	13	Reserve will be deployed in 2012/13 to fund the remaining element of the two year project.

Grayfields Pitch Improvements	13	Reserve created to complete the pitch improvements at Grayfields.	0	13	Bid being prepared for Grayfields pitch improvements, this is match funding.
PCT Public Health Grant Funding	10	Balance of Public Health funding provided by the PCT for the Community Activities Network to distribute as grants to Sport & Physical Activity service providers for new sport & physical activity initiatives.	0	10	PCT Funds allocated for community disbursement via the Community Activity Network (CAN) targeted towards sports activity.
Sports Activities - various	9	Underspend on grants for sports & health activities	0	9	This has been spent as part contribution to new play infrastructure equipment at Summerhill.
PCT Local Development Plan Funding	6	Balance of PCT Local Development Plan funding being used as match funding for the Sport England grant received in December 2011 as part to a cycling programme that is to run until December 2012	0	6	PCT Funds allocated for community disbursement via the Community Activity Network (CAN) targeted towards sports activity.
Archaeology - Monograph Series	1	Creation of reserve to ensure completion of project and ensure no loss of external funding for the overall project.	0	1	This will be spent by Sept 2012 as current publication is published.
Mental Health Capacity Act specific grants	21	Reserve created from a mixture of PCT/grant funding.	(21)	0	
DOH Grant Stroke Care	13	Reserve created from specific grant.	(13)	0	
CSDP Contribution to capital	68	Reserve created from revenue to increase capital reserve for Adaptations for Disabled people.	(68)	0	
PCT One-off Funding	27	Reserve created from One-Off funding received from PCT close to financial year end to deliver priorities around vulnerable people	(27)	0	

Total Departmental Reserves - Adults	2,564		(174)	2,391	
Total Reserves Child & Adult Services	5,522		(708)	4,814	

**ANALYSIS OF RESERVES 2012 / 2013 -
CHIEF EXECUTIVES DEPARTMENT****Appendix B**

Reserve	Balance as at 1st April 2012	Reason for/purpose of the Reserve	2012/13 Total Reserves Released by CMT	2012/13 Value of Reserve to be Retained	Reason for Retention
	£'000		£'000	£'000	
Chief Executive's Department Ring Fenced Grants	137	Created from ring-fenced grant funding to fund specific expenditure commitments	(32)	104	Funding relates to Workplace Health Improvements
Finance - IT Investment	62	Created to fund a number of IT projects integral to the Corporate IT changes across the Authority	0	62	To fund a number of IT projects integral to the Corporate IT changes across the Authority
Corporate Strategy - ICT System Development	60	Created to fund temporary development resources for enhancements of current ICT systems such as e-bookings and EDRMS and costs attributable to the rationalisation of systems to achieve savings from the provision of ICT.	(5)	56	To be utilised to offset system development costs and associated costs of system upgrades and version release not encompassed elsewhere
Corporate Strategy - ICT Contract Review	50	Created to fund potential costs in relation to the re-procurement and or change of arrangements in respect of the Councils current ICT arrangements.	0	50	To be utilised to offset the costs of the ICT reprocurment.
Financial Inclusion	50	Created to fund the Financial Inclusion Programme	(12)	38	To support Financial Inclusion initiatives.
Finance R & B	45	Created to fund cost of IT equipment / services.	(25)	20	I-world e-revenues module for self service.
Finance - Corporate Finance	52	Created to fund temporary appointments to cover maternity leaves during 2011/12 & 2012/13	(32)	20	Temporary appointments to cover maternity leave

Finance R & B - Atlas Project	20	Created to fund the additional funding required to match DWP Atlas grant received to complete project.	0	20	To complete Atlas project and match grant received.
People Framework Development	18	Created to enable department to manage budget over more than one year.	0	18	To support School Buy Back Income in 2012-13.
Finance R & B - Internal Bailiff Development	17	Created to fund costs associated with Internal Bailiff Development	0	17	Internal Bailiff Development
Finance - IT Developments R&B	20	Created to fund IT development costs to cope with new DWP Security requirements and further Kirona scripting changes.	(4)	16	DWP Security requirements.
Contact Centre	15	Created to fund software integrations including Corporate Workflow and upgrade Queue Management System.	0	15	Created to fund software integrations including Corporate Workflow and upgrade Queue Management System business cases currently being developed and may be reviewed later in the year.
Registrars	15	Created for redecoration of new marriage/ceremonies room at the Borough Hall and some software integrations/upgrades.	0	15	Required for redecoration costs as alternative venues identified for income generation
Corporate Strategy - Performance Management	15	Created to enable department to manage budget over more than one year.	(2)	13	To be utilised to support residents survey.
Corporate Strategy - Working from Home Surplus	13	Created to manage the costs of home working key fobs between financial years.	0	13	Required to managed variable costs over more than one year
Corporate Strategy - Enhancing Council Profile	15	Created to fund temporary costs in development and establishing arrangements for enhancing and maintaining the Councils profile including social networking, public relations and other associated elements.	(2)	13	To be utilised for social networking and other council profile issues and resident perception survey
Finance R & B - Corporate Booking System	10	Created to fund Development work linked to the Corporate Booking System.	0	10	To support future development costs.

Finance R & B - Software Projects	10	Created for funding towards BACS and DD's Software Project Developments.	0	10	Software Projects for example Real Time Information to HMRC
Corporate Strategy - Corporate Consultation	16	Created to enable department to manage budget over more than one year.	(7)	9	To be utilised as part of corporate consultation and to enable budget reduction to be managed over more than 1 year.
Finance R & B - FSM System	4	Created to fund costs of FSM System	0	4	Support and maintaince
Resource Investment - HR	3	Created to enable department to manage budget over more than one year.	0	3	Completion of the Personnel File Project.
Contact Centre	38	Created to enable department to manage budget over more than one year.	(38)	0	
Registrars	10	Created for improvements to the Registrars building	(10)	0	
Financial Inclusion	44		(44)	0	
Legal Registration and Members	24	Created to fund temporary additional staffing within the Legal Section. Also, additional costs in postage for the renewal of Personal Identifiers for Electoral Registration which must be completed every five years.	(24)	0	
Finance R & B - Council Tax Rebate Development	15	Created for funding towards Council Tax Rebate Scheme Software Development.	(15)	0	
Finance R & B - Payment Card Industry	5	Created to fund Payment Card Industry security review.	(5)	0	
Finance R & B - Integration Import	5	Created for funding toward ICT Integration Import for Department of Work and Pension deductions from DWP Welfare Benefits to Council Tax System.	(5)	0	
Total Reserves - Chief Executives Department	787		(262)	525	

**ANALYSIS OF RESERVES 2012 / 2013 -
CORPORATE****Appendix C**

Reserve	Balance as at 1st April 2012	Reason for/purpose of the Reserve	2012/13 Total Reserves Released by CMT	2012/13 Value of Reserve to be Retained	Reason for Retention
	£'000		£'000	£'000	
Strategic One Off Costs	7,927	This reserve has been created to partly fund strategic one off costs identified in the 2012/13 MTFS of £14m, covering redundancy/earlier retirement costs, Housing Market Renewal Commitments, Land Remediation costs and 2012/13 Council Capital Fund. A significant element of these costs (£4.5m) will be funded from capital receipts which need to be achieved in 2012/13 and the following 2 years. Further details are provided in note 1 to this table.	0	7,927	Committed to fund risks identified in MTFS. See Note 1 to this table.
General Fund	4,338	The General Fund Balance of £4.338m held at 31st March 2012 consists of the minimum uncommitted recommended balance of £3.462m, which is held to meet unforeseen commitments not funded from Earmarked Revenue Reserves and additional monies which the Council determined should be held within this reserve of £0.876m.	0	4,338	

		As part of the 2011/12 outturn and the decisions taken as part of the 2012/13 budget full Council approval is needed to release these additional monies. These monies were funded from the following contributions: Release of uncommitted Job Evaluation Provision £0.545m, 2011/12 Final Outturn £0.306m and Right to Buy Income 2011/12 £0.025m.			
Insurance Fund	3,990	The Insurance Fund has been established to provide for all payments that fall within the policy excess claims. Most policies provided by the Council are subject to an excess.	(200)	3,790	A comprehensive review of this reserve has been carried to reflect the impact of the Court of Appeal ruling on the estimated cost of settling existing insurance claims. On this basis a small amount of the fund can be released and the balance needs retaining for forecast liabilities.
Strategic Risk Reserve	2,677	This risk reserve was set up to cover income shortfalls in car parking, land registry charges and the shopping centre, one-off equal pay and a shortfall in salary abatement targets.	(500)	2,177	Release of £0.5m is only possible as a result of the salary turnover target being removed from the 2013/14 base budget to eliminate this ongoing risk. The residual balance is fully committed to fund potential one-off Equal Pay claims.
Transitional Support to Offset Council Tax Cuts	1,197	This reserve will be used to support the risks of managing the implementation of a local Council Tax Support schemes in 2013/14. .	0	1,197	This reserve will be used to support the risks of managing the implementation of a local Council Tax Support schemes in 2013/14. .

Support 12/13 Loss of Council Tax Freeze Grant	727	This reserve was created to mitigate the loss if the 2012/13 Council Tax Freeze Grant.	0	727	The MTFS report of 4.10.12 recommended that in view of the change in budget deficits for the next 2 years and the proposed savings programme that this reserve is rephased to support the budgets in 2013/14 and 2014/15.
Supporting Family Poverty	319	Reserve established in 2011/12 to support the reduction of Child poverty. Any use of this reserve requires Council approval.	0	319	It is proposed to use £0.142m of this reserve to temporarily offset EIG grant cuts. The MTFS update report elsewhere on this agenda covers this issue in more detail.
Building / Development Control Income Shortfall	260	This reserve was created to cover income shortfalls owing to the weakness in the economy.	0	260	Committed in 2012/13.
Future Project Investigation Costs	250	This reserve was originally held to investigate future benefits of projects which would have on-going revenue savings.	0	250	Retained to fund one-off costs of business cases which require one-off pump priming to achieve permanent budget savings from 2014/15, as no such projects have been identified for 2013/14.
Carbon Reduction	231	The Carbon Reduction Commitment is a mandatory scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisation, this reserve is set aside to fund the payment of Carbon Allowances in 2012/13, 2013/14 and 2014/15.	0	231	Fully committed to be spent over the next 3 financial years.

Business Transformation	209	These funds were set aside for implementation costs of the Business Transformation Programme and will now be used to fund costs associated with the 3 borough collaboration project which aims to deliver ongoing savings of £2.297m (£1.597m People and £0.700m Corporate) as reported to Cabinet in the MTFS on 4.10.12.	0	209	Fully committed to fund HBC share of one-off costs of achieving 3 Borough Collaboration Project savings and any costs associated with the development of robust proposals.
Members Ward Issues	182	Used to fund ward issues for Members.	0	182	Committed in 2012/13, with any residual balance carried forward to 2013/14..
Pension actuarial reserve	122	This reserve was created to manage pension costs over a 3 year period of the current actuarial valuation, which cover the period up to 2014/15.	0	122	This reserve was created to manage the pension costs over a 3 year period of actuarial valuation.
Mayoral Referendum Reserve	70	To fund one off costs of holding a referendum.	0	70	Committed in 2012/13.
Concessionary Fare	60	This reserve covers the tri-annual cost of replacing concessionary fares passes.	0	60	Committed in 2012/13.
Works in Default Empty Homes	50	This reserve was created to fund works in Default Empty Homes.	0	50	Committed in 2012/13.
Training for Staff on Redeployment Register	50	To fund costs of retraining staff on the redeployment register as agreed by Council 23.02.12.	0	50	To fund retraining costs of staff on the redeployment register.
Core Strategy Inquiry	55	To support the future costs of undertaking the Local Plan review which occurs every 3 to 5 years.	(22)	33	Residual balance committed for next Local Plan review.
Seaton Carew Youth Club	30	Funding to keep the Youth Centre open for an additional year whilst options are progressed.	0	30	Committed in 2012/13.
NDC Fund	8	Reserve established from NDC under spend and will be transferred to the NDC Trust.	0	8	Funding to be held for one year to fund potential residual NDC capital costs.

Salary Sacrifice	6	This reserve was created in 2010/11 to Pension Savings generated by the Salary Sacrifice for Cars scheme to fund future pensions liabilities	0	6	Needed to fund future pension liabilities.
Area Based Grant	36	ABG carried forward to fund ongoing project costs. This funding is no longer required.	(36)	0	
Civic Chain Reserve	12	As part of the 2011/12 MTFs Council agreed the use of this reserve to fund the running costs of the 3 community centres identified for closure. This is the balance which was not required.	(12)	0	
Holiday Pay Reserve	43	Working time regulations require employers to pay casual workers holiday pay. There is a risk that the Council will be required to fund holiday back pay claims to October 2007. This reserve was set aside to fund potential costs in 2012/13, which have been less than anticipated.	(43)	0	
Total Reserves - Corporate	22,849		(813)	22,036	

Note 1 - One off Strategic Costs Reserve

<u>Expenditure Commitments</u>	<u>£'000</u>
Redundancy and Early Retirement Costs	7,500
Housing Market Renewal	4,500
Land Remediation Costs	1,000
Council Capital Fund	1,000
Total forecast expenditure commitments	14,000
<u>Less Available Funding transferred into One off Strategic Costs Reserve</u>	
Review of Reserves	5,944
2011/12 Forecast Outturn	1,980
Capital receipts already achieved	1,500
Total available funding	9,424
Unfunded forecast expenditure commitments to be funded from future capital receipts.	4,576
Total Available and Forecast funding	14,000
<u>Current balance of One off Strategic Costs Reserve</u>	
Total available funding	9,424
Land Remediation Costs transferred to Provision (accounting re-classification issue as reported to Audit Committee 21.09.12)	(634)
Revised Expenditure Commitments	8,790
Cost of Redundancy / Early Retirement 2011/12	(863)
Balance in Reserve as at 1.04.12	7,927

ANALYSIS OF RESERVES 2012 / 2013**- REGENERATION &
NEIGHBOURHOODS****Appendix D**

Reserve	Balance as at 1st April 2012	Reason for/purpose of the Reserve	2012/13 Total Reserves Released by CMT	2012/13 Value of Reserve to be Retained	Reason for Retention
	£'000		£'000	£'000	
Cemetery & Crematoria/Stranton, Tanfield Rd Nursery	324	Contribution towards the Stranton Cremator & Tanfield Rd Nursery, Capital Project. This scheme includes the replacement of the Cremators and improvements to amenities and retail facilities.	(49)	275	Committed scheme underway.
Seaside Grant	200	Funding set aside to fund expenditure commitments on a Capital Project	0	200	Earmarked for the Seaton Master Plan.
Selective Licensing	259	Income generated from fees required to fund the scheme over a 5 year period.	(66)	193	Committed to deliver the scheme over the 5 years. Reserve funds Salary costs in 2012/13 & 2013/14.
Business Grants	106	Funding transfered from existing reserves to support Business Grants in 2012/13.	0	106	Need identified.
Trading Account Reserves - Engineering Consultancy	100	Reserve created to manage Trading Activities over more than one year. This is earmarked to fund potential income shortfalls in future years or potential bad debts in this area.	0	100	Risk on Trading Activities will not be covered and will impact on the Revenue position without allowing time to manage the available resources and activity levels.
Trading Account Reserves - Fleet	100	Reserve created from a surplus on the Fleet account in 11/12. This is needed to cover future repairs and maintenance costs over the whole life of the fleet so that annual charges to clients can remain static	0	100	Surplus generated is merely a timing issue and will be needed to cover future costs associated with an older fleet.

		over the lifetime of the vehicle.			
Major Regeneration Projects	99	Major Regeneration schemes - Originally earmarked for Church Square but on hold for now.	0	99	On hold until a decision is made.
Conservation Grants	75	Funding transferred from existing reserves to support Conservation Grants in 2012/13.	0	75	Need identified.
Community Safety LPSA Reward Grant Reserve	132	Local Public Service Agreement Phase 2 reward grant for committed projects approved by Safer Hartlepool Partnership - Domestic Violence.	(61)	71	Grant administered and controlled by SHP and is committed.
Jobs & The Economy	161	Funding earmarked to match fund other Grant Funded Schemes e.g Flexible Support Fund and Leaving Care. (Supporting C & A priorities).	(101)	60	Funding committed to support specific Grant Funded Projects.
Public Health Grant - Housing	55	Public Health Grant awarded in 11/12 to invest in improvements to housing to increase the quality of homes in the town.	0	55	Specific Grant Funding and outputs need to be reported to the NHS Hartlepool in 2012/13.
Connect to Work	138	Ring fenced grant earmarked for the Connect to Work programme which is over more than one year. (Supporting C & A priorities).	(85)	53	Committed to fund placements on the Connected to Work Programme.
Winter Maintenance	50	Further enhancement of Community "Snow Patrol" initiatives and maintenance work required for the Saltbarn distribution unit.	0	50	Committed to meet needs of the service.
Furniture Project	50	To implement the findings of the scrutiny review into reduction of child poverty and increasing access to affordable credit.	0	50	Awaiting the results of the tender exercise to recommend options.

Trading Account Reserves - Passenger Transport	45	Reserve created to manage the risk of income shortfalls in future years in a developing trading area of private hire.	0	45	This is a new service area which is still in development stage and the reserve is needed to manage the service over more than one year.
Community Grants Pool	41	Reserve created year on year from the underspend on the Community Grants Pool budget as this expenditure is 'ring-fenced' by Members for contributing towards the community.	0	41	The carry over of unspent Community pool funds to the next financial year. This requires grants Committee/Cabinet authorisation and was transferred to Regen & Neighbourhoods 1st April
Trading Account Reserves - Plant Replacement	40	Reserve created to fund the costs associated with Plant Equipment over more than one year e.g. repairs and maintenance or replacement costs.	0	40	Without this reserve there will not be sufficient funding to replace the plant on a rolling programme over years.
Baden Street	40	Balance required to fully implement phase 1 of the scheme approved by Members.	0	40	Not possible to reduce the scheme. To scale back the scheme at this stage would not have the desired effect on reducing antisocial behaviour and would not address the issue of inadequate management of privately rented housing stock.
Support for CADCAM Liability	39	Reserve to cover CADCAM liability which exists until 14/15.	0	39	Insufficient budget provision to cover annual liability.
Troubled Families	39	Specific funding allocated to fund the Team Around Household project which is part of the Troubled Families Plan.	0	39	Specific Grant funding - committed in 2012/13.
Social Housing New Build - Major Repairs	35	Ring-fenced reserve created from rental income which represents a Major Repairs Fund. This funding is set aside to fund repairs over the lifetime of the housing stock.	0	35	Ring fenced to fund future repair costs in accordance with the approved business case for this project.

Digital City	30	To cover Hartlepool's contribution towards the operation of the Digital City Business Initiative for three years. This will assist in the development of a sub regional sustainable specialist business support programme.	0	30	Contribution is likely to be needed in 2014/15 but no other funding is available to cover this.
Housing Strategic Studies	26	To support the future cost of undertaking Housing Strategic Studies and the Local Plan Review which occurs every 3-5 years.	0	26	Insufficient budget provision to cover the cost every 3-5 years.
Community Safety (LSSG)	23	Specific funding carried forward. Community Safety Grant (LSSG) administered and controlled by the Safer Hartlepool Partnership and earmarked to fund Victim Support Work in 2012/13.	0	23	Specific Grant funding - committed in 2012/13 to fund the employment of a support worker.
Building Maintenance Remedial	22	Traditionally all building projects require remedial work following their completion and this is a quarter of the figure spent last year.	0	22	Spent already in 2012/13.
Village Green Hearings etc	20	Reserve earmarked to fund various risks including the cost of village green hearings in 2012/13 and the loss of income from Industrial Estates.	0	20	No other funding available to cover these one-off costs.
H & S Training	20	Legislative requirements for operational staff to be trained to HSE set standards	0	20	Committed - no other funding available.
Speed Cameras	16	Relates to the funding ring fenced for the Tees Valley Camera Partnership.	0	16	Ring fenced Funding.
Neighbourhood Community Development Projects	10	Community Development Work in 2012/13 (£5k in each area).	0	10	Committed in 2012/13.
DC Restructure	9	Earmarked to fund Graduate Planner in 2012/13.	0	9	Spent already in 2012/13.
Econ Regeneration Strategy	6	Committed to fund Business Grants in 2012/13.	0	6	Committed.

CSCS Test	8	Earmarked to support development/continuation of Jobsmart Test Centre.	(4)	4	Spent already in 2012/13.
Neighbourhood Mgmt Public Health Grant	1	Public Health Grant balance carried forward to publicise the Cold Weather Plan projects.	0	1	No other funding available to cover this cost.
Equine Enforcement	10	An increasing problem of unregulated tethering of horses on Council land.	(10)	0	
Neighbourhood Management - NDC	27	NDC funding to continue scheme.	(27)	0	
Neighbourhood Management - Cohesion	5	Reserves allocated to complete project in 2011/12.	(5)	0	
Community Safety - N'Hood Man/Forums	46	Various Projects within Neighbourhood Management incl Local Volunteering, Target Hardening etc.	(46)	0	
Earmarked Grant Funding	14	Funding for the Graffiti Project.	(14)	0	
Licensing	12	Fee income in advance required to fund the running costs of the Licensing Section.	(12)	0	
Property Services Invest to Save	18	Funding allocated to cover Invest to Save projects.	(18)	0	
Total Reserves - Regeneration & Neighbourhoods	2,451		(498)	1,953	

REVENUE FINANCIAL MONITORING REPORT FOR FINANCIAL YEAR 2012/13 as at the 30th September 2012

Overview:**Child & Adult Services - Children's**

The favourable outturn variance is forecast for Children's Services, the main reasons for this being staff vacancies, the transfer of services to the Early Intervention Grant and a re-tendering exercise and a route review within Home to School Transport.

A range of outturn projections have been produced to reflect the uncertainty as to exactly when certain posts will be filled, the level of support required for homeless young people, providing financial family support to families in crisis to prevent children from coming into care and the level of income expected at Carlton Outdoor Centre.

Child & Adult Services - Adult

A favourable outturn variance is forecast for Adult & Community Services, the main reasons for this being staff vacancies, additional income from PCT for care packages, under spend on equipment budgets and various non-pay under spends arising from careful management of expenditure budgets. There are significant pressures which reduce this favourable position namely in Older People services where demographic pressures are on the increase particularly in supporting those individuals with dementia. Adult Social care budgets are particularly volatile when the income and expenditure is linked to individuals in residential care and living in the community. There are also emerging pressures to a lesser degree in Community Services around income collection as the recession impacts on footfall within Culture and Leisure services.

Detailed commentary is shown below:

Approved 2012/2013 Budget £'000	Description of Service Area	Projected Outturn Variance - Adverse/ (Favourable) Worst Case £'000	Projected Outturn Variance Adverse/ (Favourable) Best Case £'000	Director's Explanation of Variance
Children's				
1,490	Access to Education	(203)	(203)	The favourable variance is owing to re-tendering and a route review within home to school transport.
707	Central Support Services	0	0	
144	Children's Fund	(144)	(144)	The variance is owing to the forward planning of future savings by transferring services to the Early Intervention Grant.
11,491	Children & Families	112	(44)	The variance range reflects the highly unpredictable different care needs for Children and Families. The worst case variance reflects increased demand for a number of service provisions for disabled children with complex needs. Owing to the current economic climate there has also been an increase in the support required for homeless young people and providing financial family support to families in crisis to prevent children from coming into care. The Looked After Children (LAC) reserve is anticipated to fund the increase in number of LAC for a further 2 years, based on current information.
55	Information Sharing & Assessment	(4)	(4)	
708	Other School Related Expenditure	(8)	(16)	
0	Play & Care of Children	26	26	The variance is owing to a shortfall in income.
686	Raising Educational Achievement	(7)	(72)	There are currently 2 vacant posts within School Improvements resulting in a favourable variance. The worst case reflects the range of potential income shortfall at Carlton Outdoor Centre following the withdrawal of Middlesbrough's contribution in 2011/12.
305	Special Educational Needs	(56)	(77)	The variance is owing to the forward planning of future savings by transferring services to the Early Intervention Grant.
412	Strategic Management	(84)	(105)	The variance is owing to lower training costs and the forward planning of future savings of transferring employees to the Early Intervention Grant.
463	Youth Offending Team	(44)	(44)	The variance is owing to a vacant post.
411	Integrated Youth Service	42	42	The variance is due mainly to the running costs of Rossmere skate park.
16,873	Total	(369)	(639)	

Approved 2012/2013 Budget £'000	Description of Service Area	Projected Outturn Variance - Adverse/ (Favourable) Worst Case £'000	Projected Outturn Variance - Adverse/ (Favourable) Best Case £'000	Director's Explanation of Variance
Adults				
0	Adult Education	0	0	
220	Carers & Assistive Technology	(40)	(40)	This favourable variance predominantly relates to reduced activity for Carers Emergency respite and underspends on independent sector contracts.
3,531	Commissioning-Adults	(40)	(40)	
1,287	Commissioning-Mental Health	25	25	This adverse variance has arisen due to the increasing pressure on residential placements and an increasing trend for Direct Payments, this has reduced overall by some staffing underspends.
9,778	Commissioning-Older People	660	610	This variance is owing to demographic pressures emerging for Older People both in residential care and non-residential settings. There has been a sharp increase in expenditure over the summer months for residential placements particularly for those suffering with dementia.
5,798	Commissioning-Working Age Adult	(111)	(111)	This variance is owing to income from the PCT obtained for joint packages for individuals with complex needs.
169	Complaints & Public Information	3	3	
1,103	Departmental Running Costs	5	5	
1,334	Direct Care & Support Team	(300)	(300)	This favourable variance relates to staffing underspends in this area. This area is volatile and can be impacted by external activity generated by hospital discharges.
493	LD & Transition Social Work	18	18	
2,272	Locality & Safeguarding Team	(125)	(125)	The favourable variance predominantly relates to vacancies in this area.
1,041	Mental Health Services	(78)	(78)	The favourable variance predominantly relates to vacancies in this area.
1,189	OT & Disability Equipment	(190)	(190)	The favourable variance reflects underspends on Aids & Adaptations and Disabled adaptations. The outturn reflects this position, in previous years RCCO's have been made to support the DFG budget targeting those with ongoing social care needs. Further assessment will be made throughout the year to ascertain if this is necessary.
270	Workforce Planning & Dev	0	0	
1,135	Working Age Adult Day Services	30	30	This adverse outturn projection predominantly relates to transport costs.
24	Archaeology Services	0	0	
115	Community Centres	(14)	(14)	
531	Cultural Services	49	49	This adverse outturn projection predominantly relates to shortfalls in income from bar activities and is increasing month on month
6	Grants to Community & Voluntary Organisations	0	0	
1,245	Libraries	(23)	(23)	
891	Sports, Leisure & Rec Facilities	10	10	This adverse outturn projection predominantly relates to staffing costs linked to long term
27	Drug & Alcohol	0	0	
32,459	Total	(121)	(171)	
49,332	Child & Adults Total	(490)	(810)	
Memo:				
6,418	Dedicated Schools Grant - LA element	138	(60)	The variance is due to Independent School fees and School Improvements which may be funded from DSG reserves if required.

CHILD & ADULT SERVICES
PLANNED USE OF RESERVES

Appendix E

The above figures include the 2012/2013 approved budget along with the planned use of Departmental Reserves created in previous years.
The details below provide a breakdown of these reserves

Approved 2012/2013 Budget £'000	Description of Service Area	Planned Usage 2012/2013 £'000	Variance Over/ (Under) £'000	Director's Explanation of Variance
Children's				
226	School Transformation Team	226	0	
172	Think Family	172	0	
21	Child Poverty Local Duties	21	0	
48	Childhood Accident Prevention	24	(24)	
1	Promotion of Breast Feeding	1	0	Balance to be carried forward and used in 2013/14.
85	Connexions	65	(20)	Balance to be carried forward and used in 2013/14.
474	Looked After Children	466	(8)	An increase in the number of Looked After Children and the nature of the packages of care could result in £530k of this Reserve being required in 2012/13. This is reflected in the 'From' and 'To' range options shown above.
32	Education Psychology	32	0	
1,059	Total	1,007	(52)	
Adult Services				
115	Adult Education Service	115	0	
95	Supporting People Contracts	95	0	
106	Commissioning Adults - Social Care Reform	106	0	
13	Tobacco Control	13	0	
13	Locality & Safeguarding - Stroke Care	0	(13)	This balance has been included in the reserve review.
21	Mental Health Capacity	0	(21)	This balance has been included in the reserve review.
68	Disabled Adaptations	0	(68)	This balance has been included in the reserve review.
221	Older People Demographic Pressures	221	0	
305	Social Care Delayed Hospital Discharges	305	0	
27	PCT Vulnerable People Priorities	0	(27)	This balance has been included in the reserve review.
40	PCT Carers Funding	40	0	
30	PCT Carers into Employment	30	0	
50	PCT Hearing Loss Strategy	50	0	
6	PCT Local Development Plan	6	0	
10	PCT Public Health	10	0	
45	Mill House Reserve	0	(45)	This balance has been included in the reserve review.
25	Bowling Club Rental	25	0	
22	Archaeology Projects	22	0	
1	Archaeology - Monograph Series	1	0	
1,213	Total	1,039	(174)	
2,272	Child & Adults Total	2,046	(226)	

CREATION OF RESERVES

Approved 2012/2013 Budget £'000	Description of Service Area	£'000	Director's Explanation of Variance
Children's			
0	Education Psychology	106	Creation of reserve to continue to fund the service to the end of the academic year August 2013.
0	Youth Offending Team	62	Creation of reserve from Home Office grant and Partner contributions to support future years funding of the service.
0	Total	168	

REVENUE FINANCIAL MONITORING REPORT FOR FINANCIAL YEAR 2012/13 as at the 30th September 2012**Overview:**

The projected favourable variance is mainly owing to the careful management of staffing budgets by keeping posts vacant and reducing staff hours where appropriate. In addition, a mid year estimate of the Council Tax & Housing Benefit Subsidy receivable has been carried out. This indicated that subsidy received will exceed the budget set for 2012/13.

Detailed commentary is shown below:

Approved 2012/2013 Budget £'000	Description of Service Area	Projected Outturn Variance - Adverse/ (Favourable) Worst Case £'000	Projected Outturn Variance - Adverse/ (Favourable) Best Case £'000	Director's Explanation of Variance
1,295	Corporate Finance	(50)	(50)	The favourable variance is owing to savings achieved because of maternity leave and reduced staff hours.
(1,520)	Central Administration	0	0	
264	Revenues and Benefits, Fraud	102	102	The adverse variance is owing to a change in DWP administration grant subsidy received because of a change in the weighting on individual caseloads.
70	Council Tax & Housing Benefit Subsidy	(66)	(166)	Work has been completed on an estimate based on a Mid Year Subsidy Claim. The Best Case scenario is based on the findings of this work, the Worst Case is based on a reduction in total subsidy claims and allowance for prior year adjustments.
0	Finance Miscellaneous	0	0	
225	Internal Audit	(14)	(14)	The favourable variance is owing to savings in staff costs including maternity leave, reduced staff hours, overtime and car allowance.
0	HR Payroll System	0	0	
116	Performance Management Misc	(25)	(25)	This favourable variance is based on the Trade Union budget projecting a £5k adverse variance, and the Central Council Subscriptions projecting a £30k favourable variance.
643	Shared Services Unit	28	28	Owing to in year legislative changes to taxation and pension reporting changes, staff have been required to work additional hours resulting in a small adverse variance.
490	Legal Services	20	0	The Legal Services Section has budgeted to collect legal fees for house completions as part of the Housing Market Renewal project. If all houses don't complete the financial year, this will result in an adverse variance.
94	Municipal & Parliamentary Elections	10	10	This adverse variance is owing to an all out Election in May 2012 and a Seaton Bi-election planned for later this year.
(20)	Other Office Services	(3)	(3)	
87	Registration of Electors	0	0	
118	Support to Members	0	0	
556	HR & Health and Safety	15	15	The adverse variance is owing to the section being unable to achieve it's Salary Abatement Target.
36	Training & Equality	(4)	(4)	
837	Hartlepool Connect	(55)	(55)	The favourable variance is owing to staff reducing their hours, vacant posts and reduced expenditure on supplies.
(48)	Registration Services	0	0	
51	Support Services	(37)	(37)	The favourable variance is owing to modern apprentice staffing vacancies.
100	Community Partnerships	0	0	
458	Corporate ICT	(5)	(5)	
421	Corporate Strategy	0	0	
190	Democratic	0	0	
106	Performance & Consultation	0	0	
99	Public Relations	(20)	(20)	Additional income generation and advertising in Hartbeat will produce a favourable variance at outturn.
128	Scrutiny	(6)	(6)	
4,795	Total	(110)	(230)	

PLANNED USE OF RESERVES

The above figures include the 2012/2013 approved budget along with the planned use of Departmental Reserves created in previous years. The details below provide a breakdown of these reserves

Approved 2012/2013 Budget £'000	Description of Service Area	Planned Usage 2012/2013 £'000	Variance Over/ (Under) £'000	Director's Explanation of Variance
42	Chief Executive's Department Ring Fenced Grants	42	0	This was grant carried forward from previous years to fund Workplace Health Improvement Specialist. The budgeted amount will be fully utilised this financial year.
8	Corporate Strategy - Corporate Consultation	8	0	To be utilised as part of corporate consultation and to enable budget reduction to be managed over more than 1 year in relation to required reduction.
12	Corporate Strategy - Enhancing Council Profile	12	0	This reserve is being used for social networking, council profile issues and a resident perception survey.
48	Corporate Strategy - ICT System Development	48	0	To be utilised to offset system development costs and associated costs of system upgrades and version release not encompassed elsewhere.
50	Corporate Strategy - ICT Contract Review	50	0	To be utilised to offset the costs of the ICT re-procurement.
13	Corporate Strategy - Performance Management	13	0	To be utilised to support residents survey and other associated areas of cost.
13	Corporate Strategy - Working from Home	13	0	Required to managed variable costs over more than one year.
20	Finance -Corporate Finance	0	(20)	Requested to be carried forward into 2013-14 to fund ongoing maternity cover.
20	Finance - Atlas Project	20	0	To complete Atlas project and match grant received.
15	Finance - Council Tax Rebate Development	0	(15)	This balance has been included in the Reserves Review.
15	Hartlepool Connect	15	0	Created to fund software integrations including Corporate Workflow and upgrade Queue Management System. Business cases currently being developed and will be reviewed later in the year.
17	HR - People Framework Development	17	0	To support loss of School Buy Back Income in 2012-13.
10	Registrars	10	0	Required for redecoration costs as alternative venues identified for income generation.
283	Total	248	(35)	

REVENUE FINANCIAL MONITORING REPORT FOR FINANCIAL YEAR 2012/2013 as at the 30th September 2012**Overview:**

The current outturn variance for Regeneration and Neighbourhoods is estimated to be a favourable variance of between £590k and £820k. The range reflects the volatility of some budget areas which makes it difficult to predict the year end position, particularly where these areas involve income from fees and charges. By analysing trends and reviewing the performance to date it is possible to estimate the position at year end; however these will continue to be closely monitored on a monthly basis.

The expected variance is mainly owing to the following areas:-

Waste Management and Disposal – Favourable Variance £460k - £560k

This variance is owing to the reduced capital financing costs of wheelie bins and vehicles, the temporary reduced cost of recycling collection created through a 9 month tender process, an increase in income from the sale of recyclates, and a reduction in the cost of waste disposal resulting from the increase in recycling. The tender process for a seven year contract is currently underway to identify the level of sustainable savings that can be released from this area

Concessionary Fares – Favourable Variance £250k

A pressure was awarded to fund the increased cost of the new reimbursement model. Successful negotiations with the providers of concessionary travel has meant that this was not as costly as expected and a significant drop in passenger numbers has reduced the cost of concessionary travel overall. Following these developments a review of pressures has identified that the amount needed for Concessionary Fares can be reduced by £100k and this has been reflected in the Councils Medium Term Financial Strategy.

The department continues to feel the impact of the recession on income collected from fees and charges. The main areas affected are Building Control and Development Control and any variance in these areas (current forecast is £150k - £250k adverse variance) will be covered by the Income Shortfall reserve in 12/13 and 13/14.

Detailed commentary is shown below:

Approved 2012/2013 Budget £'000	Description of Service Area	Projected Outturn Variance - Adverse/ (Favourable) Worst Case £'000	Projected Outturn Variance - Adverse/ (Favourable) Best Case £'000	Budget Holders Comments
1,131	Strategic Management, Admin & Service Development	0	0	
(147)	R&N Central Budgets Savings	0	0	The Salary Abatement Budget is on target to be achieved by the end of the year.
623	Consumer Services	20	20	This forecast variance assumes a similar level of activity to last financial year, and reflects the impact the economic downturn is having on the level of licensing income generated.
10	Environmental Protection	0	0	There may be a small shortfall in Income at year end but it is difficult to predict at this stage. General observations are that we believe owing to changes in climate the number of wasps nest will be reduced and this will impact on income collected.
(83)	Environmental Standards	50	50	This adverse variance relates to the Markets income shortfall which is expected to be in line with previous years.
(20)	Cemetery and Crematoria	0	0	This projection assumes a contribution to Capital of £90k to support the Capital Scheme at Tanfield Road Nursery. This represents additional income generated from an increase in fees which was approved to cover the future prudential borrowing charges. The scheme is still underway and the income collected in advance will be transferred to Capital to fund the overall development at Stranton Cemetery and Tanfield Rd Nursery.
415	Parks & Countryside	0	0	Trading area which at the moment is predicted to be on Target at year end.
32	Allotments	0	0	Capital Scheme is expected to begin this year (approx £100k). It is assumed that all income generated from fee increases will cover the costs of the scheme. Final approval is being sought for Prudential Borrowing of £500k. This will be funded by the phased increase in fees.
(60)	Building Control	150	150	Qtr 2 Projections still indicate that there is likely to be a £150k shortfall as the income budget is too high in this area. This budget is less affected by large scale developments and small scale or domestic work is reducing. Any variance is expected to be covered by the Income Shortfall Reserve in 2012/13 (see reserves below) and a pressure of £150k has been identified for future years.
454	Planning Services	100	0	This variance relates to Development Control income. This projection is based on the first six months and also takes into consideration income which could be received from possible developments. Best case estimate is that we will achieve the budgeted level of income, however if some developments don't go ahead there could be a shortfall of up to £100k. This is a volatile area and will be monitored closely each month. Any variance is expected to be covered by the Income Shortfall reserve in 12/13 (see reserves below).

Approved 2012/2013 Budget £'000	Description of Service Area	Projected Outturn Variance - Adverse/ (Favourable) Worst Case £'000	Projected Outturn Variance - Adverse/ (Favourable) Best Case £'000	Budget Holders Comments
(4)	Logistics	(80)	(80)	Variance relates to additional income generated over and above the budgeted level - £50k is an advance SDO saving.
99	Procurement and Reprographics	0	0	Expected to be on target at this stage.
(78)	Property Management	0	0	Reviewing use of the Corporate Pot in this area - predicted to be on target at this stage.
101	Asset Management	0	0	Assumed to be on target at this stage until the charging policy for Estates is agreed. Costs associated with Non Operational Property are not accounted for here and instead will be charged to the Corporate Property Budgets.
(51)	Building Consultancy	0	0	Fees to some Capital Schemes are still to be agreed - assumed to be on target at this stage.
608	Housing Services	0	0	
0	Social Housing	0	0	A creation of reserve of £80k has been assumed in projections. This relates to a saving on borrowing costs from the Community Housing project. This permanent saving is earmarked from 2013/14 onwards to fund the borrowing costs associated with the Empty Homes project. This contribution to reserve will be transferred into the Major Repairs Reserve in line with the approved Business model for this scheme.
80	CADCAM	0	0	Charges are volatile in this area and it is assumed that the Reserve will be used to meet any shortfall should it arise - based on the actual charges received in 2011/12 this reserve would only be enough to cover a shortfall in 2012/13 and this liability will exist in 2013/14.
1,041	Economic Regeneration	0	0	
16	Neighbourhood Management	0	0	This area includes the Ward Member Budgets which are funded by a Corporate reserve. Spend is low at the end of Quarter 2 and it is assumed that any balance on this reserve will be carried forward into future years.
1,499	Neighbourhood Forums	0	0	
0	Economic Regeneration - External Funding	(20)	(20)	This budget includes various Grants which support projects over years. In accordance with the Accounting Code of Practice and Grant Conditions this funding must be carried forward as a Reserve. The variance reported relates to Families with multi problems - 1 of 3 yr scheme (estimated carry forward between £10k - £20k). High Street Innovation Fund (estimated carry forward £50k). H'Pool Golf week is also expecting to generate a one-off surplus of £20k and this will form part of the overall departmental outturn figure.
(1,095)	Car Parking	40	40	The pressure allocated to cover income shortfall appears to be sufficient at the moment. Some issues have arisen regarding the costs associated with Car Parks e.g. Shopping Centre service charge etc. These costs are being investigated now but the variance reported assumes that these costs will be covered in 2012/13. This adverse variance relates to a rateable value increase and a pressure has been considered to cover this in future years. Income will be closely monitored each month which will also include an assessment of the Bailiff collection service and camera car.
430	Engineering Services	0	(30)	It is possible that this area generates additional income again this year owing to the continuation of schemes which lead to a surplus in 11/12. However it is felt that it is very early to predict what that might be and £30k has been included as a best case estimate at this stage. This was previously estimated to be £50K and has been revised down in September.
24	Facilities Management - Functions Catering	50	30	The latest prediction for all of the outlets is that we will experience an adverse variance on Functions Catering of up to £49k. Single Status has impacted on the cost of running this service and this is producing a deficit in some outlets.

Approved 2012/2013 Budget £'000	Description of Service Area	Projected Outturn Variance - Adverse/ (Favourable) Worst Case £'000	Projected Outturn Variance - Adverse/ (Favourable) Best Case £'000	Budget Holders Comments
(11)	Facilities Management - School Catering	0	0	This account represents a volatile trading area owing to the uncertainty surrounding the take up of School Meals in each School. This volatile income stream makes it difficult to predict the outturn position at this stage, however we are currently on target to achieve a similar level of income to last year which will result in a breakeven position. There are a number of initiatives underway with Schools to develop the service and ultimately increase overall take-up. If this is successful it will result in a favourable variance at year end and it is recommended that this is earmarked to fund future investment in Kitchens as there is currently little or no provision in the revenue budget to cover this cost. A condition survey is underway to allow a financial strategy to be developed over the medium term.
(36)	Facilities Management - Building Maintenance	0	0	Building Maintenance is currently reporting a surplus of £25k on work undertaken to date. The account currently budgets to make a surplus (after Cyclical Maintenance) of £190k by year end which if the current trend continues could result in a shortfall. However it is very early to accurately predict the outturn position on this account as a number of the new larger contracts are yet to get underway and the full work programme agreed. This will be closely monitored each month and updated once the new contracts are evaluated.
535	Facilities Management - Building Cleaning	40	0	The adverse variance has arisen following the loss of cleaning contracts, including the law courts, which contributed towards some fixed overheads on this account. A full analysis of this account is being prepared contract by contract to evaluate the impact of any future losses and review the overheads charged to this account. The worst case estimate at the moment is a deficit of £40k.
212	Facilities Management - Other	0	0	Security, Civic Attendants and Public Conveniences - all expected to be on target at year end.
1,882	Grounds Maintenance	0	0	Assumed to be nil at this stage. The income from work carried out on various capital schemes is yet to be confirmed and this will have an impact on the total income generated in this area.
1,894	Highway Maintenance and Insurance	40	0	Range included for Winter Maintenance based on a five year average. Once the Trading account is withdrawn this budget will be mainly fixed with set overheads which will reduce the volatility on the account overall.
(210)	Highways Trading	0	0	The account is showing a deficit at the moment owing to a reduction in the overheads charged to client accounts. This area is being reviewed and the Trading Accounts are in the process of being collapsed. The overhead rate will be amended to bring the account back within budget by year end.
526	Highways Traffic & Transp Management	0	0	
79	ITU Passenger Transport	(40)	(40)	Relates to expanded income generation in this area which may not be sustainable.
307	ITU Road Safety	0	0	
0	ITU Strategic Management	0	0	
(180)	ITU Vehicle Fleet	(40)	(40)	Early indications are that there will be a net saving as a result of spreading the cost of vehicles over a longer period to reflect the actual economic life of assets. The saving is partly offset by an increase in annualised maintenance costs. This variance assumes the cost of the new Fleet Management System of £15k will be charged this year.
(2)	NDORS (National Driver Offender Rehabilitation) Scheme	0	0	
1,167	Network Infrastructure	60	60	£60K variance relates to additional energy costs on Street Lighting of approx 8%. This is from an expected increase in load owing to circuit watts and state of current equipment. This information has recently come to light following an inventory submission to Npower.
0	Section 38's	0	0	
2,409	Sustainable Transport	(250)	(250)	This variance assumes the replacement buss pass provision is covered by the reserve created in 2011/12. The variance is as a result of a successful negotiation process with the providers where the new reimbursement methodology was not as costly as expected. Another factor was a drop in passenger numbers which is expected to continue. £100k has been offered up as part of review of pressures from 2013/14 onwards.
1,749	Street Cleansing	0	0	Estimated to be on target at year end.

Approved 2012/2013 Budget	Description of Service Area	Projected Outturn Variance - Adverse/ (Favourable) Worst Case	Projected Outturn Variance - Adverse/ (Favourable) Best Case	Budget Holders Comments
£'000		£'000	£'000	
4,816	Waste & Environmental Services	(460)	(560)	<p><u>Waste Management - £500k Favourable</u> - Prudential Borrowing costs down on budget by £130k - some financing has ended (bins) and others are reducing (spend at HWRC etc.) - need to consider future strategy for replacing bins etc. This is linked to the current retender and we will need to review what provision is needed once this is complete - timescale for decision is December. Other variance is owing to a significant increase in the income collected from recycling and reduction in the cost of collection of this waste. This is only a 12 month contract and the sustainability of these savings will not be known until the full evaluation of the Tenders is complete.</p> <p><u>Waste Disposal - £110k to £210k Favourable</u> - Allowed £100k for land fill but this may reduce. Tonnages down because of initiatives and recycling. This is likely to continue in future years and whilst it is a volatile area this could be considered for a future saving. Very early to predict residual waste levels and there are many changes in this area around enforcement etc. - range included and this forecast will be closely monitored and refined each month.</p> <p><u>Household Waste Recycling Centre £40k Favourable</u> - Saving from bringing service in house - staff TUPE'd and there are not expected to be any costs associated with the transfer to HBC conditions, if required.</p> <p>Agreed to fund works at the HWRC from underspends above (£190k = £150k + £40k).</p>
20,163	DEPARTMENT TOTAL	(340)	(670)	

Less release of Corporate Income Shortfall Reserve as per the MTFS
Development and Building Control
Net Adverse/(Favourable) Variance

£'000	£'000
(250)	(150)
(590)	(820)

PLANNED USE OF RESERVES

The above figures include the 2012/2013 approved budget along with the planned use of Departmental Reserves created in previous years. The details below provide a breakdown of these reserves

Approved 2012/2013 Budget £'000	Description of Service Area	Planned Usage 2012/2013 £'000	Variance Over/ (Under) £'000	Director's Explanation of Variance
16	Speed Cameras	16	0	
50	Winter Maintenance	50	0	
275	Cemetery & Crematoria/Stranton, Tanfield Rd Nursery	275	0	
71	Community Safety LPSA Reward Grant Reserve	55	(16)	Some of the projects supported are over a 3 year period and the spend profile between years has changed slightly.
22	Building Maintenance Remedial	22	0	
10	Neighbourhood Community Development Projects	10	0	
100	Selective Licensing	78	(22)	Reserve earmarked to fund the Scheme over five years. The profile of spend has changed slightly.
26	Housing Strategic Studies	26	0	
39	Support for CADCAM Liability	39	0	
9	DC Restructure	9	0	
60	Jobs & The Economy	60	0	
200	Seaside Grant	0	(200)	This funding is part of the overall Seaton Master plan and it is expected to be released now in 2013/14.
53	Connect to Work	53	0	
4	CSCS Test	4	0	
6	Econ Regeneration Strategy	6	0	
40	Baden Street	40	0	
50	Furniture Project	50	0	
20	Village Green Hearings etc	20	0	
20	H & S Training	20	0	
39	Troubled Families	39	0	
23	Community Safety (LSSG)	23	0	
1	Neighbourhood Mgmt Public Health Grant	1	0	
55	Public Health Grant - Housing	25	(30)	Projects supported are expected to continue into 2013/14.
40	Trading Account Reserves - Plant Replacement	40	0	
106	Business Grants	106	0	
75	Conservation Grants	75	0	
1,410	Regeneration & Neighbourhoods Total	1,142	(268)	

CREATION OF RESERVES

Approved 2012/2013 Budget £'000	Description of Service Area	£'000	Director's Explanation of Variance
0	Social Housing	80	A creation of reserve of £80k has been assumed in projections. This relates to a saving on borrowing costs from the Community Housing project. This permanent saving is earmarked from 2013/14 onwards to fund the borrowing costs associated with the Empty Homes project. This contribution to reserve will be transferred into the Major Repairs Reserve in line with the approved Business model for this scheme.
0	Economic Regeneration	70	This budget includes various Grants which support projects over years. In accordance with the Accounting Code of Practice and Grant Conditions this funding must be carried forward as a Reserve. Please see above for breakdown of Grants.

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Project Code	A Scheme Title	EXPENDITURE IN CURRENT YEAR							2012 /13 COMMENTS
		B	C	D	E	F	G	H	
		2012/13 Budget £'000	2012/13 Actual as at 30/09/12 £'000	2012/13 Expenditure Remaining £'000	Expenditure Rephased into 2013/14 £'000	C+D+E 2012/13 Total Expenditure £'000	F-B 2012/13 Variance from budget £'000	Type of financing	
	CHILDREN'S SERVICES								
7027	Harnessing Technology Grant	2	2	0		2	0	Grant	Final account agreed, project over spend funded from Unallocated Budget
7125	Owton Manor - Install Security Fencing	1	0	1		1	0	Mix	
7125	Stranton - Install Perimeter Security Fencing	25	22	6		28	3	Mix	
7125	Golden Flatts - Install Security Fencing	2	0	2		2	0	Grant	
7129	Rossmere Heating Distribution	6	6	0		6	0	Grant	
7131	Fens Primary School Ventilation	7	1	6		7	0	Grant	
7132	Manor College Lighting / Wiring	65		65		65	0	Grant	
7138	Barnard Grove - Structural Modifications (Blocks A & B)	31	0	31		31	0	Grant	
7142	Brougham -Fire Safety Modifications	6	5	1		6	0	Grant	
7142	Barnard Grove- Fire Modifications	8	0	8		8	0	Grant	
7142	Kingsley Fire Modifications	18	12	6		18	0	Grant	Project under spend to be transferred to the Unallocated Budget
7142	Lynnfield Fire Modifications	6	3	0		3	(3)	Grant	
7142	Seaton Carew Nursery Fire Modifications	8	0	8		8	0	Grant	
7142	St Helens Fire Modifications	4	0	4		4	0	Grant	
7142	Stranton Fire Modifications	23	22	1		23	0	Grant	
7144	Manor - Modifications to Autistic Spectrum Disorder (ASD) Unit	45	43	2		45	0	Grant	New scheme
7149	Create Childrens' Home	100	0	100		100	0	RCCO	
7384	Devolved Capital - Various Misc Individual School Projects	632	146	486		632	0	Grant	New scheme fully funded by School
7421	School Travel Plans - Develop Cycle Storage at Schools	29	6	23		29	0	Grant	
7426	Integrated Children's System Case Management Improvement	37	0	37		37	0	Grant	Project under spend to be transferred to the Unallocated Budget
7437	Playing for Success - Develop New Classroom	1	0	1		1	0	Mix	
7469	Unallocated - Children's Centre Capital Works	64	0	0	64	64	0	CAP REC	
7500	High Tunstall Specialist School ICT Equipment	0	0	0		0	0	Grant	
7586	City Learning Centre Equipment Purchase	4	0	4		4	0	Grant	
7619	West View -Asbestos Removal & Reinstatement	15	7	4		11	(4)	Grant	
7858	Computers for Pupils	35	35	0		35	0	Grant	
7863	Carlton Outdoor Centre Redevelopment Works	6	0	6		6	0	Mix	
7888	Stranton - Purchase & Install CCTV	2	0	2		2	0	RCCO	
7979	Chatham CC - Internal Alterations to Reception	12	11	1		12	0	RCCO	
7979	Hindpool Close CC - Create Buggy Park Area	5	4	1		5	0	RCCO	
7979	Rossmere CC - Internal Alterations to Reception	4	4	0		4	0	RCCO	
8060	Rift House - Annexe 2 Heating	17	0	17		17	0	Grant	
8067	Ward Jackson - Creation of Quiet Room	2	0	2		2	0	Mix	
8082	Golden Flatts - Resource Learning Centre	0	0	0		0	0	Grant	
8103	Swimming (was Brinkburn Pool - Access and Hoist)	60	0	0	60	60	0	RCCO	
8138	BSF- ICT	5,802	273	1,858	3,671	5,802	0	Grant	
8139	BSF - ICT Infrastructure (General)	134	9	125		134	0	Grant	
8139	BSF - ICT Infrastructure (St Hilds)	33	0	33		33	0	Grant	
8139	BSF- Dyke House	8	0	8		8	0	Grant	
8168	SSN Hindpool Close - Create Community Garden & Play Space	6	0	6		6	0	Grant	
8179	Catcote - Replace Boiler (11/12)	6	6	0		6	0	Grant	
8184	Hart - Replace Fence	11	11	0		11	0	Grant	
8192	St Helens - Replace Corner Posts	18	0	18		18	0	Mix	
8193	Throston - Window replacement	17	16	0		16	(1)	Grant	
8202	Grange -Replace Classroom Annexe	467	444	37		481	14	Mix	
8205	Springwell - Create Enterprise area and Cyber Café	12	4	8		12	0	Mix	
8208	Ward Jackson - Create Foundation Unit	1	1	0		1	0	Grant	
8218	Youth Service Portable MUGA	7	0	0	7	7	0	MIX	

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		B	C	D	E	F	G	H	
		2012/13 Budget £'000	2012/13 Actual as at 30/09/12 £'000	2012/13 Expenditure Remaining £'000	Expenditure Rephased into 2013/14 £'000	C+D+E 2012/13 Total Expenditure £'000	F-B 2012/13 Variance from budget £'000	Type of financing	
8282	Exmoor Grove - Redevelopment/ Change of Use	14	0	14		14	0	RCCO	
8392	High Tunstall - Various Improvement Works to B, C & D Blocks	8	0	8		8	0	Grant	
8452	Carlton Outdoor Centre Disabled Toilet	17	0	17		17	0	Grant	
8454	Catcote - Create Individual Teaching Space	87	10	77		87	0	Grant	
8455	Golden Flatts - Install Fire Detection System	20	0	20		20	0	Grant	
8455	Greatham - Install Fire Detection Systems	13	0	13		13	0	Grant	
8455	Owton Manor - Install Fire Detection System	30	0	30		30	0	Grant	
8455	Rift House - Install Fire Detection System	22	0	22		22	0	Grant	
8455	Rossmere - Install Fire Detection System	30	0	30		30	0	Grant	
8455	West Park - Install Fire Detection System	24	0	24		24	0	Grant	
8456	Brougham - Roof Replacement	200	150	50		200	0	Grant	
8457	Stranton - Boiler Replacement	35	18	17		35	0	Grant	
8458	High Tunstall - Develop Vocational Educational Centre	294	5	289		294	0	MIX	
8459	Kingsley - Replace & Upgrade Playground Surface	35	28	7		35	0	Grant	
8460	Rift House - Development of Science Garden	73	0	73		73	0	MIX	
8461	Stranton - Create 2 'Experience' Rooms	96	15	81		96	0	Grant	
8462	Throston - Create External Hall Corridor & Learning Space	313	101	212		313	0	Grant	
8463	West Park - Creation of Foundation Stage Unit	458	3	455		458	0	Grant	
8505	OSCAR - Sensory Equipment	2	0	2		2	0	Grant	
8522	Golden Flatts - Mechanical Works	110	37	73		110	0	Grant	
8523	High Tunstall - Heating Distribution / Boiler Replacement	115	0	115		115	0	Grant	
8524	High Tunstall - Lighting/Wiring	15	0	15		15	0	Grant	
8525	St Helen's - Electrical Works	103	57	46		103	0	Grant	
8526	West Park - Heating / Hot & Cold Water Distribution	75	0	75		75	0	Grant	
8527	West View - Window Replacement (Block A)	109	80	29		109	0	Mix	
8528	West View - Roof Replacement (Phase 1)	109	0	0	109	109	0	Grant	Scheme will now be deferred to 13/14
8529	West View - Small Classroom Extension	118	1	143		144	26	Grant	Project over spend funded from the Unallocated Budget
8530	St Helen's - KS1 Toilet Provision	25	14	11		25	0	Grant	
8531	Rossmere - Replace External Gas Main	14	11	2		13	(1)	Grant	Project under spend to be transferred to the Unallocated Budget
8532	Catcote - Relocate Futures to Brierton Site	150	1	149		150	0	RCCO	
9004	Funding (Modernisation, Access, RCCO) Currently Unallocated	1,370	0	1,336		1,336	(34)	Mix	This is the net overspend on the above schemes which will be transferred from this Unallocated Budget.
9005	Grant Payments to Diocese for H'pool VA Schools	160	160	0		160	0	Grant	
N/A	Funding - Contingency	200	0	200		200	0	Grant	
	SUB-TOTAL - CHILDREN'S SERVICES	12,248	1,784	6,553	3,911	12,248	0		

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	Scheme Title	2012/13 Budget £'000	2012/13 Actual as at 30/09/12 £'000	2012/13 Expenditure Remaining £'000	Expenditure Rephased into 2013/14 £'000	C+D+E 2012/13 Total Expenditure £'000	F-B 2012/13 Variance from budget £'000	Type of financing		
ADULT SERVICES										
7234	Chronically Sick & Disabled Adaptations	130	28	102	0	130	0	RCCO	The Short Break Capital Grants Panel approved two new Children's Services schemes this quarter totalling £19k. They are now shown within the Children's Portfolio and have been removed from the Adult & Public Health Budget.	
7481	IIM Social Care IT Infrastructure	44	24	20	0	44	0	GRANT		
7531	Adult Education - Office Accom	20	1	19	0	20	0	MIX		
7723	Resettlement Capital Works - Campus Re-provisioning	110	0	110	0	110	0	GRANT		
8075	Short Break Capital Grants Pool	84	23	61	0	84	0	MIX	Proposals are being drafted for Portfolio to be held on 28th November 2012 to allocate this funding.	
8284	DAT Tier 4 Accommodation	105	99	6	0	105	0	GRANT		
8312	Social Care Transformation Capital	386	0	386	0	386	0	MIX		
8396	New Flat Purchase	130	0	130	0	130	0	MIX		
8423	Waverley Terrace Allotments - Fencing	24	0	45	0	45	21	RCCO	The projected adverse variance on this scheme relates to the change in fencing materials to be used in order to comply with planning requests. It is proposed to fund this increase in cost from the Social Care Transformation Capital Pot. A report is being prepared for Portfolio dated 28th Nov 2012 to approve this increase in line with delegated authority outlined in the MTFS.	
8427	Warren Rd Kitchen Refurbishment	15	7	0	0	7	(8)	GRANT		
8428	Havelock Upgrades Ph2	204	19	266	0	285	81	GRANT		
8429	Adult Education - Replace IT Equipment	11	0	11	0	11	0	MIX		
8453	Warren Rd Sunshine Room	12	11	1	0	12	0	MIX	The budget will be increased using funding available from remaining balance on Rossmere MUGA and Skatepark scheme 8104. To be utilised for pitch improvements.	
7992	Grayfields Sports Junior Pitches	6	0	13	0	13	7	MIX		
8095	Central Library - Signage	1	1	0	0	1	0	MIX		
8104	Rossmere - MUGA & Skatepark	30	18	5	0	23	(7)	MIX		
8216	Seaton Carew Cricket Club	30	0	30	0	30	0	MIX	Scheme complete, final retention payment outstanding and reflected in expenditure remaining. The funders of this scheme have formally agreed that the balance of this scheme can be used for pitch improvements at Grayfields, the balance remaining will be transferred to 7992.	
8394	Conversion of Throston CC to CC/Library	70	0	70	0	70	0	MIX		
8408	Mill House Leisure Centre Misc Equipment	11	0	11	0	11	0	MIX		
8409	Sport and Youth Improvement Work	70	0	70	0	70	0	MIX		
8418	Summerhill Archaeology Display	1	1	0	0	1	0	MIX		
8419	BMX Track Upgrade	12	0	12	0	12	0	MIX		

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		2012/13 Budget £'000	2012/13 Actual as at 30/09/12 £'000	2012/13 Expenditure Remaining £'000	Expenditure Rephased into 2013/14 £'000	C+D+E 2012/13 Total Expenditure £'000	F-B 2012/13 Variance from budget £'000	Type of financing	
8439	Brierton Sports Centre Upgrade	38	38	0	0	38	0	MIX	
8504	Summerhill Specialist Equipment	19	19	0	0	19	0	MIX	
	SUB-TOTAL - ADULT SERVICES	1,563	289	1,368	0	1,657	94		
	TOTAL - CHILD & ADULT SERVICES	13,811	2,073	7,921	3,911	13,905	94		

Key

RCCO	Revenue Contribution towards Capital	GRANT	Grant Funded
MIX	Combination of Funding Types	CAP REC	Capital Receipt
UCPB	Unsupported Corporate Prudential Borrowing	UDPB	Unsupported Departmental Prudential Borrowing
SCE R	Supported Capital Expenditure (Revenue)	SPB	Supported Prudential Borrowing

During the quarter the Short Break Capital Grants Pool Panel approved two new schemes totaling £0.019m on the Children's Services capital programme, Carlton Outdoor Centre Disabled Toilet and OSCAR – Sensory Equipment.

CHIEF EXECUTIVE**CAPITAL MONITORING REPORT PERIOD ENDING 30th SEPTEMBER 2012**

Project Code	A Scheme Title	EXPENDITURE IN CURRENT YEAR							2012 /13 COMMENTS
		B 2012/13 Budget £'000	C 2012/13 Actual as at 30/09/12 £'000	D 2012/13 Expenditure Remaining £'000	E Expenditure Rephased into 2013/14 £'000	F C+D+E 2012/13 Total Expenditure £'000	G F-B 2012/13 Variance from budget £'000	H Type of financing	
	Corporate Projects	39	0	39	0	39	0	MIX	
7867	City Challenge Burbank / Murray Street	83	0	83	0	83	0	MIX	
7468	IT Strategy	500	0	500	0	500	0	MIX	
7623	Corporate IT Projects	20	0	20	0	20	0	MIX	
	Mobile Chip & Pin	20	0	20	0	20	0	MIX	
	Contact Service Upgrade	10	0	10	0	10	0	MIX	
8143	New Burdens - Council Tax Demands	10	0	10	0	10	0	MIX	
8157	Northgate - New Server	4	0	4	0	4	0	MIX	
	TOTAL	686	0	686	0	686	0		

Key			
RCCO	Revenue Contribution towards Capital	GRANT	Grant Funded
MIX	Combination of Funding Types	CAP REC	Capital Receipt
UCPB	Unsupported Corporate Prudential Borrowing	UDPB	Unsupported Departmental Prudential Borrowing
SCE ®	Supported Capital Expenditure (Revenue)	SPB	Supported Prudential Borrowing

CORPORATE

6.2
Appendix J

CAPITAL MONITORING REPORT PERIOD ENDING 30th SEPTEMBER 2012

Project Code	A Scheme Title	EXPENDITURE IN CURRENT YEAR							2012 /13 COMMENTS
		B 2012/13 Budget £'000	C 2012/13 Actual as at 30/09/12 £'000	D 2012/13 Expenditure Remaining £'000	E Expenditure Rephased into 2013/14 £'000	F C+D+E 2012/13 Total Expenditure £'000	G F-B 2012/13 Variance from budget £'000	H Type of financing	
7036	Unallocated Council Capital Fund	467	0	468	0	468	1	UCPB	Variance reflects transfer of surplus on scheme 8405 back to unallocated.
7041	Corporate Planned Maintenance Unallocated	106	0	106	0	106	0	MIX	
7115	Civic Centre Ramp	221	199	22	0	221	0	MIX	
7117	Civic Centre Access Control System	5	0	5	0	5	0	MIX	
7150	Demolition of Eamont Garages	17	0	17	0	17	0	RCCO	
7200	Civic Centre Refurbishment	354	0	354	0	354	0	MIX	
7853	Boiler Replacement - Owton Manor CC	35	15	20	0	35	0	UCPB	
8085	Lynn Street Depot Electrical Distribution	3	0	3	0	3	0	UCPB	
8142	H&S Replace School Kitchen Equipment	253	41	212	0	253	0	MIX	
8166	Corporate Planned Maintenance - Replace Boiler - Historic Quay	6	0	6	0	6	0	RCCO	
8167	Disabled Adaptations - Automatic Entry Doors - Bevan House	1	1	0	0	1	0	UCPB	
8171	Corporate Planned Maintenance - Footpath Repair - Grayfields	16	0	16	0	16	0	MIX	
8317	Replace Mill House Boiler	116	94	22	0	116	0	MIX	
8321	Boiler Replacement - Warren Road	35	26	9	0	35	0	UCPB	
8400	Invest to Save - Hanson Hse Lighting Detectors	1	1	0	0	1	0	MIX	
8402	Invest to Save - Borough Hall Lighting Upgrade	13	12	1	0	13	0	RCCO	
8405	Tarmac Repairs	11	7	3	0	10	(1)	MIX	Surplus will be transferred to unallocated.
8406	Throston DDA - Toilets	37	0	37	0	37	0	UCPB	
8416	Sale of Henry Smith	12	0	12	0	12	0	CAP REC	
8422	Registrars Adaptation Works	6	3	3	0	6	0	MIX	
8436	Demolition of Brierion School	200	12	188	0	200	0	MIX	
8440	Stockton St Underpass	150	0	150	0	150	0	MIX	
8441	Energy Management Controls	10	0	10	0	10	0	MIX	
8442	DDA Works	50	0	50	0	50	0	MIX	
8449	Invest to Save - Historic Quay Lighting	22	19	3	0	22	0	RCCO	
8450	Hpool Enterprise Centre Electrical Works	45	9	36	0	45	0	RCCO	
8451	Civic Centre Heating Works	95	19	76	0	95	0	RCCO	
8506	WHRFC Loan	10	10	0	0	10	0	MIX	
	TOTAL	2,297	468	1,829	0	2,297	0		

Key			
RCCO	Revenue Contribution towards Capital	GRANT	Grant Funded
MIX	Combination of Funding Types	CAP REC	Capital Receipt
UCPB	Unsupported Corporate Prudential Borrowing	UDPB	Unsupported Departmental Prudential Borrowing
SCE ®	Supported Capital Expenditure (Revenue)	SPB	Supported Prudential Borrowing

REGENERATION & NEIGHBOURHOODS**CAPITAL MONITORING REPORT PERIOD ENDING 30th SEPTEMBER 2012**

Project Code	A Scheme Title	EXPENDITURE IN CURRENT YEAR							2012 /13 COMMENTS
		B 2012/13 Budget £'000	C 2012/13 Actual as at 30/09/12 £'000	D 2012/13 Expenditure Remaining £'000	E Expenditure Rephased into 2013/14 £'000	F C+D+E 2012/13 Total Expenditure £'000	G F-B 2012/13 Variance from budget £'000	H Type of financing	
8393 & 8289	Stranton Cemetery and Lodge	1,965	112	1,853	0	1,965	0	MIX	
8417	Community Spaces Grant	89	55	34	0	89	0	GRANT	
7375	Countryside Development Works	14	0	0	14	14	0	CORP RES	
7382	Greatham Play Area equipment	9	0	0	9	9	0	CORP RES	
7651	Burn Valley Park Beck	120	84	36	0	120	0	CORP RES	
7990	Ward Jackson Park Bandstand Shutters	4	0	0	4	4	0	GRANT	
8121	Rossmere Park Re-Development	1	0	0	1	1	0	GRANT	
Various	Playbuilder	167	81	0	86	167	0	GRANT	The rephased budget is the result of savings on individual Playbuilder schemes over the previous three years. The remaining balance is being rephased pending the identification of future match funding to undertake a proposed scheme on Coronation Drive.
8447	Central Area Leisure Activities	125	0	0	125	125	0	CORP RES	The scheme is on hold until the capital receipt funding is achieved.
8448	Foggy Furze Replace Bowling Green	60	0	0	60	60	0	CORP RES	The scheme is on hold until the capital receipt funding is achieved.
7878	Community Safety CCTV Upgrade	82	3	79	0	82	0	UCPB	
7218	Mandatory Disabled Facilities Grant	550	315	235	0	550	0	MIX	
7219	Minor Works Grants	1	0	1	0	1	0	GRANT	
7220	Discretionary Renovations Grant	102	31	71	0	102	0	GRANT	
7230	Housing Market Renewal	2,748	339	1,323	1,086	2,748	0	MIX	The budget shown is the profiled amount for the current year only and excludes the £4.5m corporate resources that will fund future years expenditure. Work is currently being undertaken to assess whether the overall budget is sufficient and a report will be taken to CMT in due course outlining the current position, risks and range of variances.
7530	Developers Contribution Fund	222	0	0	222	222	0	GRANT	
8106	New Social Housing - Residual Works	20	0	20	0	20	0	UDPB	
8155	Preventing Repossession Fund	58	0	58	0	58	0	GRANT	
8210	Key Vacant Buildings Grant Scheme	156	52	104	0	156	0	GRANT	
8387	Empty Property Improvement Scheme	248	0	100	148	248	0	MIX	
8326	Baden Street Empty Properties Initiative	178	0	178	0	178	0	MIX	
8425	PV Cells - Various Buildings	241	28	213	0	241	0	UDPB	
8446	Empty Property Purchasing Scheme	5,840	391	2,529	2,920	5,840	0	MIX	At the time preparing this report, 23 properties were in the process of being acquired and renovation work commenced on 9 houses. The budget has been increased as per the Council report of 18th October 2012 and the overall purchase/refurbish target has increased to 100 properties over 2 years. To date the average expected cost per property is within the target of £55k. The rephased element assumes a profile of 50 properties per year.
7895	Industrial & Commercial Business Grants	54	13	41	0	54	0	UCPB	
7897	Regeneration Match Funding	393	0	0	393	393	0	UCPB	This scheme was put on hold by members.
7084	LTP - Speed Camera Partnership	4	0	4	0	4	0	GRANT	
7148	LTP - Brenda Road Bridge - Structure	170	0	170	0	170	0	GRANT	
7207	Car Park Security/CCTV	95	16	79	0	95	0	GRANT	
7222	Minor Works - North Area	17	0	17	0	17	0	MIX	
7223	Minor Works - South Area	52	5	47	0	52	0	MIX	
7224	Minor Works - Central Area	40	15	25	0	40	0	MIX	
7237	LTP - Cycle Routes (General)	2	0	2	0	2	0	MIX	
7240	LTP - Hartlepool Transport Interchange	21	0	21	0	21	0	MIX	
7242	LTP - Other Street Lighting Improvements	31	5	27	0	32	1	MIX	
7244	LTP - Travel Plans	26	0	26	0	26	0	SPB	
7245	LTP - Cycle Parking	10	0	10	0	10	0	SPB	
7250	LTP - Sustainable Travel Awareness	10	0	10	0	10	0	GRANT	
7251	LTP - Public Transport CCTV	9	9	0	0	9	0	SPB	
7272	Wheelie Bin Purchase	49	39	10	0	49	0	UDPB	

REGENERATION & NEIGHBOURHOODS

CAPITAL MONITORING REPORT PERIOD ENDING 30th SEPTEMBER 2012

Project Code	A Scheme Title	EXPENDITURE IN CURRENT YEAR							2012 /13 COMMENTS
		B	C	D	E	F	G	H	
		2012/13 Budget £'000	2012/13 Actual as at 30/09/12 £'000	2012/13 Expenditure Remaining £'000	Expenditure Rephased into 2013/14 £'000	C+D+E 2012/13 Total Expenditure £'000	F-B 2012/13 Variance from budget £'000	Type of financing	
7466	Fleet Vehicle Purchase	2,822	582	1,575	665	2,822	0	UDPB	The replacement of certain vehicles has been deferred to obtain a longer useful life from the existing fleet in order to reduce costs. The situation is being monitored closely to ensure that any resulting savings are not offset out by higher maintenance costs.
7508	Anhydrite Mine - Derelict Land	107	0	0	107	107	0	MIX	This budget is rephased each year until the funding is required for future monitoring of the mine.
7541	LTP - Safer Routes to Schools	57	0	57	0	57	0	GRANT	
7546	LTP - Road Safety Education & Training	26	1	25	0	26	0	GRANT	
7549	LTP - Other Bridge Schemes	119	6	113	0	119	0	GRANT	
7580	Highways Remedial Works - Marina	4	0	0	4	4	0	GRANT	
7581	LTP - Tees Valley Boundary Signs	3	3	0	0	3	0		
7645	LTP - General (To be Allocated)	273	0	265	0	265	(8)	GRANT	This budget relates to an amount of LTP grant which has not yet been allocated to schemes. The variance shown relates to the funding of expected variances on individual schemes. A report will be taken to the Portfolio holder to obtain approval for the future use of this budget.
7707	Other Highways Schemes (non-LTP)	6	0	6	0	6	0	UCPB	
7734	LTP - Hart Lane/Wiltshire Way Junction Improvements	52	23	29	0	52	0	SPB	
7821	Waste Performance Efficiency - Amenity Site	52	0	52	0	52	0	GRANT	
7852	TESCO Section 278 Funding - Highways Improvements	314	17	296	0	313	(1)	GRANT	
7956	LTP - Cycle Route Signage	13	0	13	0	13	0	GRANT	
7961	LTP - School 20mph Zones	17	17	0	0	17	0	GRANT	
7965	LTP - Catcote Turning Circle Reconstruction	4	0	4	0	4	0	GRANT	
8034	LTP - Resurfacing o/s Civic Centre	9	0	9	0	9	0	GRANT	
8081	Non Adopted Highway Areas	17	5	12	0	17	0	MIX	
8123	Review Strategy Study - North Sands to Newburn Bridge	80	26	54	0	80	0	GRANT	
8154	Surface Water	7	7	0	0	7	0	GRANT	
8241	LTP - Resurfacing - Gray Street	3	0	3	0	3	0	GRANT	
8243	LTP - Resurfacing - Hurworth Street - Raby Road to No 3	3	0	3	0	3	0	GRANT	
8268	LTP - Footpath Replacement - Purvis Place - Miers Ave to Garside Drive	8	0	8	0	8	0	GRANT	
8270	LTP - Footpath - Catcote Road - Callander Road to Campbell Road	8	0	8	0	8	0	GRANT	
8273	LTP - Footpath - Albert Street	4	0	4	0	4	0	GRANT	
8274	LTP - Footpath - Burbank Street - Clark Street to Thompson Street	5	0	5	0	5	0	GRANT	
8275	LTP - Footpath Green Street - Full length	5	0	5	0	5	0	GRANT	
8277	LTP - Footpath - Marlowe Road	5	0	5	0	5	0	GRANT	
8286	Alleygates - Night Time Economy	3	0	3	0	3	0	GRANT	
8306	Kitchen Equipment	23	0	23	0	23	0	GRANT	
8311	S Carew - Northern Management Unit Ph1 Construction	53	0	53	0	53	0	GRANT	
8314	TVBNI - Tees Valley Bus Network Improvement Scheme	2,451	7	0	2,445	2,452	1	GRANT	
8315	Seaton Carew - Northern Management Unit Ph2 Construction	14	12	2	0	14	0	GRANT	
8327	Purchase of Focus/Tanfield Road	127	57	70	0	127	0	CORP RES	
8339	LTP - Carriageway Resurfacing - Dent Street	6	0	6	0	6	0	GRANT	
8361	TVBNI - York Road - Burn Valley H1ab	654	5	649	0	654	0	GRANT	
8364	TVBNI - York Road - Victoria Road H1e	5	1	4	0	5	0	GRANT	
8365	TVBNI - Victoria Road H1f	5	0	5	0	5	0	GRANT	
8366	TVBNI - Marina Gateway H7	1	0	1	0	1	0	GRANT	
8367	TVBNI - Burn Valley H9	710	31	678	0	709	(1)	GRANT	
8370	TVBNI - Oxford Road H12	96	96	0	0	96	0	GRANT	
8371	TVBNI - Brenda Road H14	359	79	280	0	359	0	GRANT	
8373	TVBNI - Throston Grange H19	43	43	0	0	43	0	GRANT	
8374	TVBNI - Wiltshire Way H20	10	0	10	0	10	0	GRANT	
8375	TVBNI - Winterbottom Way H21	1	1	0	0	1	0	GRANT	

REGENERATION & NEIGHBOURHOODS

CAPITAL MONITORING REPORT PERIOD ENDING 30th SEPTEMBER 2012

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8378	TVBNI - Northgate H32	101	0	0	101	101	0	GRANT	This scheme is no longer being progressed after residents rejected the proposal at the consultation stage. A new scheme will be identified by TVBNI Project Board and reported to the Portfolio holder.
8380	TVBNI - Owton Manor Lane H34	28	18	10	0	28	0	GRANT	
8381	TVBNI - Catcote Road H35b	12	0	12	0	12	0	GRANT	
8382	TVBNI - Elizabeth Way H36	1	0	1	0	1	0	GRANT	
8385	TVBNI - Catcote Road H45	144	32	112	0	144	0	GRANT	
8397	20's Plenty LTP Allocation	36	28	8	0	36	0	GRANT	
8420	TVBNI - Bus Stop Improvements	24	24	0	0	24	0	GRANT	
8431	LTP - Carriageway Resurfacing Tesco Roundabout	2	0	2	0	2	0	GRANT	
8432	LTP - Carriageway Resurfacing Raby Road	2	0	2	0	2	0	GRANT	
8434	LTP - Carriageway Resurfacing Wharton Terrace	3	0	3	0	3	0	GRANT	
8444	Town Wall Strengthening	1,200	201	599	400	1,200	0	GRANT	
8445	Seaton Carew Coast Protection	2,056	273	1,282	500	2,055	(1)	GRANT	
8465	LTP - Easington Road - Petrol Station South Bound - Surface Dressing	24	24	0	0	24	0	GRANT	
8466	LTP - Easington Road - Petrol Station North Bound - Surface Dressing	24	24	0	0	24	0	GRANT	
8467	LTP - Hart Road - Full Roundabout Resurfacing	31	31	0	0	31	0	GRANT	
8468	LTP - Burbank Street/Clarke Street/Stockton St to Post Office Footpath Resurfacing	25	0	25	0	25	0	GRANT	
8469	LTP - Drayton Road Full Length Footpath Resurfacing	6	0	6	0	6	0	GRANT	
8470	LTP - Galsworthy Road - Full Length Footpath Resurfacing	5	0	5	0	5	0	GRANT	
8471	LTP - Easington Road o/s Rovers Quoits Club - Footpath Resurfacing	5	0	5	0	5	0	GRANT	
8472	LTP - Chester Road - Full Length Allotment Side - Footpath Resurfacing	24	0	24	0	24	0	GRANT	
8473	LTP - Catcote/Campbell Callendar Road - Footpath Resurfacing	10	0	10	0	10	0	GRANT	
8474	LTP - Purvis Place Full Length - Footpath Resurfacing	8	0	8	0	8	0	GRANT	
8475	LTP - Tofts Farm East Full Length - Surface Dressing	19	19	0	0	19	0	GRANT	
8476	LTP - Hart Village Road A179 to Worset Lane - Surface Dressing	10	0	10	0	10	0	GRANT	
8477	LTP - Butts Lane - Front Street - Surface Dressing	5	0	5	0	5	0	GRANT	
8478	LTP - Chester Road - Jesmond Road to Raby Road - Surface Dressing	13	13	0	0	13	0	GRANT	
8479	LTP - Young Street Full Length Resurfacing	12	12	0	0	12	0	GRANT	
8480	LTP - Baden Street - Elwick Road to Brinkburn Road Resurfacing	11	11	0	0	11	0	GRANT	
8481	LTP - Wordsworth Avenue Full Length Resurfacing	12	12	0	0	12	0	GRANT	
8482	LTP - Motherwell Road Full Length Resurfacing	32	32	0	0	32	0	GRANT	
8483	LTP - Greenlea Elwick Full Length Resurfacing	13	13	0	0	13	0	GRANT	
8484	LTP - Thursby Grove Resurfacing	10	10	0	0	10	0	GRANT	
8485	LTP - Park Road Phase 2 - Osborne Road to Eltringham Road Resurfacing	31	40	0	0	40	9	GRANT	
8486	LTP - Clark Street - Burbank Street to Moreland Street Resurfacing	6	6	0	0	6	0	GRANT	
8487	LTP - Cundall Road - Weldeck Road to Duke Street Resurfacing	15	15	0	0	15	0	GRANT	
8488	LTP - Wooler Road - Full Roundabout Resurfacing	20	20	0	0	20	0	GRANT	
8489	LTP - Brafferton Street - Roseberry Road to Duke Street Resurfacing	7	7	0	0	7	0	GRANT	
8490	LTP - Browning Avenue - Catcote Road to Ruskin Grove Resurfacing	31	31	0	0	31	0	GRANT	
8491	LTP - Bamburgh Road - Hart Road to Junction Resurfacing	3	3	0	0	3	0	GRANT	
8492	LTP - Airdrie Grove - Full Length Resurfacing	10	10	0	0	10	0	GRANT	
8493	LTP - Grange Road - Thornville Road to Murray Street Resurfacing	49	49	0	0	49	0	GRANT	
8494	LTP - Milbank Road Full Length One Side Resurfacing	25	25	0	0	25	0	GRANT	
8495	LTP - Laird Road Full Length Resurfacing	26	26	0	0	26	0	GRANT	
8496	LTP - Alloa Grove Full Length Resurfacing	4	4	0	0	4	0	GRANT	
8497	LTP - Alva Grove Full Length Resurfacing	3	3	0	0	3	0	GRANT	
8498	LTP - Ayr Grove Full Length Resurfacing	4	4	0	0	4	0	GRANT	
8499	LTP - Atholl Grove Full Length Resurfacing	3	3	0	0	3	0	GRANT	
8500	LTP - Magdalene Drive - Butts Lane to School Entrance Resurfacing	12	12	0	0	12	0	GRANT	
8501	LTP - Howbeck Lane Full Length Resurfacing	21	21	0	0	21	0	GRANT	

REGENERATION & NEIGHBOURHOODS**CAPITAL MONITORING REPORT PERIOD ENDING 30th SEPTEMBER 2012**

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		2012/13 Budget £'000	2012/13 Actual as at 30/09/12 £'000	2012/13 Expenditure Remaining £'000	Expenditure Rephased into 2013/14 £'000	C+D+E 2012/13 Total Expenditure £'000	F-B 2012/13 Variance from budget £'000	Type of financing	
8502	LTP - Beath Grove Resurfacing	3	3	0	0	3	0	GRANT	
8508	LTP - A689 Emergency Works	20	16	4	0	20	0	GRANT	
8509	LTP - Cycle Tracks and Lanes	50	0	50	0	50	0	GRANT	
8510	LTP - New Parking Facilities	5	0	5	0	5	0	GRANT	
8511	LTP - Workplace Travel Plans	8	0	8	0	8	0	GRANT	
8512	LTP - Safer Routes to School	50	0	50	0	50	0	GRANT	
8513	LTP - Safer Camera Partnership Contribution	10	0	10	0	10	0	GRANT	
8514	LTP - Local Safety Schemes	62	0	62	0	62	0	GRANT	
8515	LTP - Road Crossings	15	5	10	0	15	0	GRANT	
8516	LTP - Traffic Mgmt and Calming	20	0	20	0	20	0	GRANT	
8517	LTP - Car Park Improvements	50	0	50	0	50	0	GRANT	
8518	LTP - School Crossing Improvements	15	0	15	0	15	0	GRANT	
8519	LTP - Motor Cycle Contribution	10	0	10	0	10	0	GRANT	
8520	LTP - Smarter Travel Awareness	10	0	10	0	10	0	GRANT	
8521	LTP - Street Lighting Improvements	40	0	40	0	40	0	GRANT	
8533	TVBNI - Traffic Signal Improvements	100	0	100	0	100	0	GRANT	
8464	LTP - A689/Stockton Road Carriageway Reconstruction Phase 1	230	14	216	0	230	0	GRANT	
	TOTAL	27,443	3,706	14,447	9,290	27,443	0		

LTP Local Transport Plan
TVBNI Tees Valley Bus Network Improvements

RCCO Revenue Contribution towards Capital
MIX Combination of Funding Types
UCPB Unsupported Corporate Prudential Borrowing
SCE Supported Capital Expenditure (Revenue)

GRANT Grant Funded
CAP REC Capital Receipt
UDPB Unsupported Departmental Prudential Borrowing
SPB Supported Prudential Borrowing

CABINET

19th November 2012



Report of: Chief Finance Officer

Subject: AUDIT COMMITTEE REPORT - TREASURY
MANAGEMENT STRATEGY REVIEW

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to provide Cabinet with details of the Treasury Management Strategy Review report submitted to the Audit Committee on 9th November 2012.

2. ISSUES REPORTED TO AUDIT COMMITTEE ON 9th NOVEMBER 2012

- 2.1 In accordance with existing Treasury Management legislation the Audit Committee is required to review the proposed 2013/14 Treasury Management Strategy before referral to full Council for approval.
- 2.2 Over the last few years the Council has adopted a prudent Treasury Management Strategy which has sort to manage risk by netting down investments and borrowings. This strategy has also provided the lowest cost option for the Council owing to prevailing interest rates. In previous years I have advised Members that this strategy is not sustainable as reserves will be used up and interest rates will at some point increase. Therefore, I have advised Members that the transition from the current strategy of netting down investments and borrowings will need careful management.
- 2.3 To manage this transition a comprehensive review of the existing strategy has recently been completed and a recommended strategy referred to the Audit Committee for consideration on 9th November 2012. A verbal update on the outcome of the Audit Committee will be provided at your meeting.
- 2.4 Assuming the Audit Committee approves the recommended Treasury Management Strategy these proposals will be referred to full Council in February 2013. The key issue identified in the report to the Audit Committee is the potential to achieve an ongoing savings in interest and loan repayment

costs (known as 'Minimum Revenue Provision' repayments) of £1 million from 2014/15.

- 2.5 The report indicates that achieving this saving is not without risk and I have therefore recommended that the Treasury Management saving which should be achieved in 2013/14 of £0.870m is earmarked to manage this risk over the period 2014/15 to 2016/17.
- 2.6 As Members are aware the Medium Term Financial Strategy (MTFS) report considered by Cabinet on 4th October 2012 indicated that the Council still faces a budget deficit for 2014/15 of £1.4m. This forecast assumes the:-
- savings plans for 2013/14 and 2014/15 will achieve ongoing budget cuts of £9.2m;
 - the actual grant reductions for the next two years do not exceed the forecasts included in the MTFS; and
 - anticipated annual Council Tax increases of 2.5% could be implemented without requiring a Council Tax Referendum. We now know this is above the Government's recently announced Council Tax Referendum trigger point of 2%. Therefore there will be an increase in this deficit, which will depend on the decisions Members make in relation to the 2013/14 and 2014/15 Council Tax levels
- 2.7 Notwithstanding these uncertainties the forecast Treasury Management saving achievable from 2014/15 will provide a significant contribution towards reducing the 2014/15 budget deficit and help protect front line services.
- 2.8 A copy of the report referred to the Audit Committee is attached (**Appendix A**) to enable Cabinet Members to understand the proposed Treasury Management Strategy and the linkages to the MTFS.

3. RECOMMENDATIONS

- 3.1 It is recommended that Members note the report.

AUDIT COMMITTEE

9th November 2012



Report of: Chief Finance Officer

Subject: TREASURY MANAGEMENT STRATEGY REVIEW

1. PURPOSE OF REPORT

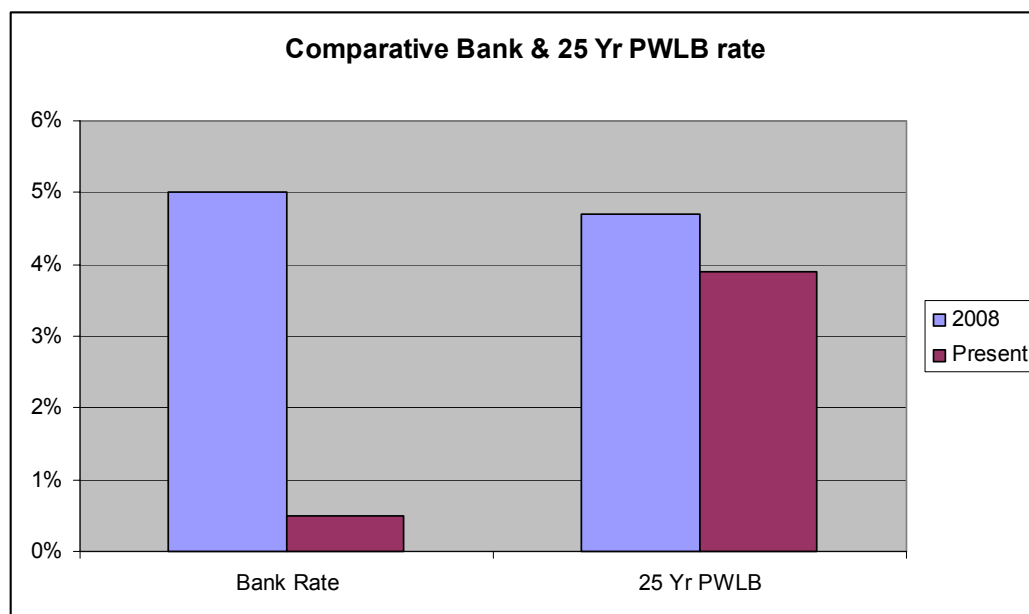
- 1.1 The purpose of the report is to review the existing Treasury Management Strategy and to recommend a strategy for 2013/14 and future years.

2. BACKGROUND

- 2.1 The objectives of the Treasury Management Strategy are to manage the Council's cash investments and the Capital Financing Requirement (CFR) which is the long term borrowing requirement at the lowest net cost, whilst effectively managing a range of potential risks. It is important that Treasury Management risks are managed effectively to avoid unbudgeted costs, which would be significant owing to the level of the Council's cash investments and long term borrowing requirement.
- 2.2 In order to manage these risks the Council has historically adopted a proactive Treasury Management Strategy and actively managed both cash investments and the CFR. This strategy has responded to external changes in the financial market and the economy, which has enabled the Council to minimise risk and the net cost of Treasury Management activity over a prolonged period.
- 2.3 In relation to managing cash investments the principal risk which needs to be managed is security of the money invested. The importance of this risk was clearly demonstrated by the problems some investors, including other Local Authorities, experienced with Icelandic banks. To manage this risk the Council has always operated robust criteria for determining the organisations it will invest surplus cash with.
- 2.4 With regard to the CFR the principle risk relates to securing sustainable low long term interest rates for the Council's borrowing requirement. This has historically been achieved by actively managing borrowing decisions and by

using different funding sources, including the Public Works Loan Board (PWLB), market loans from banks and LOBO (Lender's Option Buyer's Option) loans.

- 2.5 This mixed approach to managing the Council's CFR has provided flexibility to manage unforeseen changes in circumstances. Most recently this approach has enabled the Council to net down investments and borrowings in response to the increase in investment counter party risk arising from the 2008 financial crisis and the unprecedented reduction in the bank base rate to the lowest level in modern economic times (i.e. the last 100 years and to a level not seen since records began in 1694). This approach has significantly reduced risk by reducing the level of the Council's cash investments at a time of continued uncertainty in the banking system and financial markets. It has also provided the lowest cost option for the Council's overall Treasury Management activity over the last few years.
- 2.6 As reported previously when the 2012/13 Treasury Management Strategy was considered the current strategy of netting down investments and borrowings is not sustainable on a permanent basis as the current historically low base rate is not sustainable and disconnected from longer term borrowing rates for periods of 25 years plus which are currently at 3.9%. These longer term rates are themselves at an historically low level as before the 2008 financial crisis interest rates for 25 year plus loans were 4.7%, compared to a base rate in 2008 of 5%, as summarised below:-



- 2.7 In addition the Council's available cash investments will reduce over the next few years as reserves are used to fund one-off commitments identified in the Medium Term Financial Strategy (MTFS), including housing market renewal commitments and redundancy/early retirement costs arising from the budget cuts required over for the next four years.

- 2.8 In view of the above factors the Treasury Management position will continue to require careful management for the next few years to assist the overall financial strategy. The following sections outline proposals for the continued proactive management of Treasury Management activity.

3. Future Capital Financial Requirement (CFR)

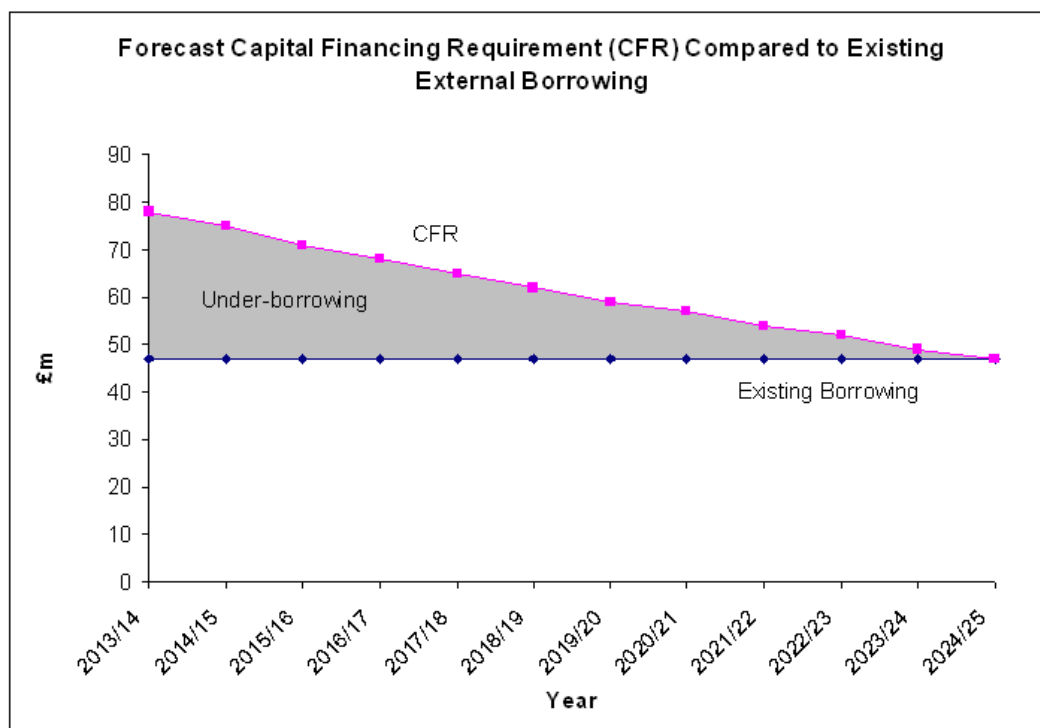
- 3.1 The CFR is the amount the Council needs to borrow to fund capital expenditure incurred in previous financial years and forecast capital expenditure in the next three years which is not funded from capital grants, capital receipts or directly from revenue budgets. Historically the majority of the authority's CFR related to capital expenditure supported by Government borrowing approvals.
- 3.2 Government borrowing approvals are authority to fund capital expenditure from loans. The Government then pay revenue grant to councils to partly fund the annual loan repayment and interest costs. The balance of these costs is then funded from the Council's General Fund budget. Prior to the introduction of the prudential borrowing system councils could only borrow for capital expenditure authorised by a Government borrowing approval.
- 3.3 Following the introduction of the prudential borrowing systems councils can determine their own borrowing levels, subject to revenue affordability. The Council has managed the new flexibility carefully owing to the ongoing revenue commitment of taking on new additional borrowing. The Council has only approved specific self funding business cases, for example affordable housing schemes and a limited amount of General Fund capital expenditure where the resulting loan repayment and interest costs have been funded as a revenue budget pressure.
- 3.4 Councils ultimately need to fund the CFR by borrowing money from the PWLB or banks. The CFR is then repaid over a number of years reflecting the long term benefits of capital expenditure. In simple terms the CFR represents the Councils outstanding mortgage, although the legislation and accounting requirements are significantly more complex.
- 3.5 In the short term the Council can fund the CFR by netting down investments and borrowings. This is only sustainable while the Council has temporary cash investments and in the medium term the CFR will need to be funded from external loans. This is the approach currently adopted by the Council and the position as at 31 March 2012, shows the Council has under-borrowing against the CFR of £36m.

31 March 2012	£m
CFR	83
Borrowing	47
Under-borrowing	36

- 3.6 The previous treasury management strategy anticipated that the CFR would remain stable at around £83m for the foreseeable future. This position

reflected the impact of the annual repayments costs and interest on new capital expenditure covered by Government borrowing matching savings arising from the repayment of previous year's borrowings. The MTFS included provision for the annual statutory repayment of the CFR, known as Minimum Revenue Provision (MRP), and forecast interest costs.

- 3.7 In 2011/12 the Government replaced borrowing approvals with capital grants. This position was not expected and was repeated in 2012/13 and is expected to continue in future years.
- 3.8 The replacement of borrowing approvals with capital grants is a fundamental change and beneficial for councils in revenue terms as Government support for capital expenditure is now being funded from a cash capital grant, therefore avoiding new borrowing. The downside to this change is a reduction in the overall level of Government capital support for councils, although this would have happened irrespective of the way council capital spending is supported owing to the impact of the 2010 spending review.
- 3.9 It is anticipated that this is a permanent change as from April 2013 the Government's new system for providing revenue grant to support the General Fund revenue budget will make it extremely complex for the Government to a support capital via borrowing approvals.
- 3.10 Against this background a revised forecast of the CFR for the next 15 years has been prepared. This forecast anticipates annual reductions in the level of under borrowing, i.e. the amount the CFR exceeds the level of external debt. This position also assumes no new borrowing is undertaken during this period, as summarised below.



4. Strategy for funding CFR

4.1 The fundamental change in the way the Government will support a reduced level of capital expenditure by Councils provides an opportunity to review the Treasury Management strategy and in particular the strategy for funding the ongoing forecast CFR.

4.2 Fundamentally this strategy is still about managing financial risk and essentially there are two components to risk:

- Managing new loans; and
- Managing existing outstanding loans and the underfunding of the CFR and links to investments.

Managing new loans will be based on specific business cases whereby the annual interest and MRP costs are funded from income, or as a specific budget pressure. Managing existing outstanding loans and the underfunding of the CFR will need to be done within the existing budget and details of how this will be achieved are set out in the following paragraphs.

4.3 As detailed in section 3 a 15 year forecast of the CFR has been prepared. This shows a year on year decrease in the outstanding CFR. Individually the annual reductions are relatively small figures. However, on a cumulative basis the annual reduction becomes more significant over the period covered by the MTFS.

4.4 This forecast enables the Council to review the existing Treasury Management strategy and should allow ongoing revenue savings to be achieved in annual loan repayment costs over the period of the MTFS.

4.5 There are two elements to the Councils annual loan repayment costs – the statutory Minimum Revenue Provision (MRP) and interest costs.

4.6 Minimum Revenue Provision (MRP)

4.7 The MRP is calculated on the basis of the CFR and based on the forecast reduction in the CFR it is anticipated there will be annual reductions in the MRP over the period of the MTFS (2013/14 to 2016/17), which can be taken as a revenue savings, as summarised below.

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Annual MRP Saving	70	210	90	140
Cummulative MRP Saving	70	280	370	510

4.8 Interest costs

4.9 The second element of the annual loan repayment cost is interest payments relating to the CFR and the underlying outstanding debt. This is more difficult to predict and will depend on the level of interest rates in future years and

the timing of decisions to manage the necessary transition from the existing Treasury Management Strategy of netting down borrowings and investments, to a strategy which funds the underlying CFR from external borrowing.

- 4.10 The transition from the existing strategy will need careful management to minimise financial risk to the Council and the ongoing interest costs of funding the CFR. This is particularly challenging in the current economic climate and interest environment owing to the unpredictable circumstances which currently exist. The most visible factor is the historically low Bank of England base rate and the extent to which this is disconnected from longer term interest rates.
- 4.11 The Bank of England base rate has remained at 0.5% since March 2009, which is significantly longer than most economic forecasters predicted. It is now anticipated that the current base rate will continue for the foreseeable future. However, given the unpredictable economic conditions (by previous economic standards) it is unclear how long the base rate will be sustainable at this level, the factors which could lead to the rate increasing and the speed of future increases. There could be a major impact on the base rate if the UK 'AAA' credit rating is downgraded, which it is anticipated would significantly increase the Bank of England base rate.
- 4.12 Against this uncertainty the Council needs to maintain a robust strategy for managing investments and borrowings to reflect the forecast reductions in the CFR. In relation to managing this interest rate risk there are essentially two options available to the Council.
- 4.13 Option 1 – Delay new long term borrowing until 2016/17**
- 4.14 This strategy would continue the existing approach of netting down investments and borrowings in the short-term. As investments are used up the underfunding of the CFR (i.e. the difference between the CFR and actual external debt) would be funded from short-term loans. It is anticipated that the interest on these loans would be at (or near) to the current base rate.
- 4.15 This strategy assumes the base rate remains at 0.5% until March 2015. Based on available information from a range of forecasters (including the Council's own treasury management advisors) and recent statements by the Governor of the Bank of England this is not an unrealistic planning assumption.
- 4.16 This option therefore maximises the potential interest savings which should be achievable on the Council's borrowing from 2013/14.
- 4.17 However, the current economic environment is unprecedented and unforeseen circumstances could result in the base rate increasing earlier than currently anticipated and to a higher level, significantly above the historic current base rate which is not sustainable. If a permanent interest rate saving is built into the MTFs and the base rate increases the Council

would face an unbudgeted pressure. The magnitude of this pressure would depend on the scale of the saving built into the MTFS and the level of increase in the base rate.

- 4.18 To manage this risk a careful assessment of the forecast interest rate saving which could be included in the MTFS has been undertaken. This assessment reflects the following factors:
- forecast reductions in the CFR over the period covered by the MTFS, as detailed in section 3, which will reduce the underlying level of the Council's forecast external debt;
 - forecast interest rates over the period of the MTFS and the linkage between the base rate and longer term interest rates;
 - a risk assessment of LOBO's being called over this period and the Council having to refinance these loans at a higher interest rate;
 - a prudent assessment of when this saving can be included in the MTFS.
- 4.19 The final bullet point will be a key element of the strategy for managing financial risks relating to the Treasury Management Strategy over the period of the MTFS. The assessment of the various factors and risks underpinning this option indicates that any interest savings should be achievable from 2013/14 to supplement the MRP saving detailed earlier in the report. These savings could therefore potentially be built into the MTFS from 2013/14. However, this would increase financial risk over the remainder of the MTFS as the risk of an increase in the base rate increases over time, which would result in a budget pressure if the full savings is taken from 2013/14.
- 4.20 Therefore, to mitigate this risk the interest saving either needs to be phased over the period of the MTFS, or the risk managed by establishing a reserve from the savings in 2013/14. In my professional opinion and reflecting the statutory requirement to provide Council with advice on the robustness of the annual budget I would recommended that the forecast Treasury Management saving in 2013/14 is earmarked as a reserve to manage these risks over the period of the MTFS. This professional advice reflects the planned 2013/14 savings plan and my advice that this approach will provide the necessary funding to manage Treasury Management risks detailed in paragraph 4.18 over the next 4 years.
- 4.21 This proposal would then enable a permanent saving of £1m to be taken in 2014/15 and future years as detailed in the following table. This would significantly reduce the forecast unfunded deficit for 2014/15 from £1.4m (assuming the saving plan is achieved) to £0.4m. The table indicates that over the period of the MTFS the proportion of the overall saving arising from a reduction in MRP increases and the proportion from interest savings decreases, which makes the position more sustainable over time. This does not remove the risk from an increase in the base rate, however the recommended risk reserve should provide sufficient funding to offset an increase in the average interest rate on the Council's CFR to 4% over the period of 2014/15 to 2016/17.

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
MRP Saving	70	280	370	510
Forecast interest savings	800	720	630	490
Total Forecast saving earmarked to manage Treasury Management risk over period of MTFS	870	0	0	0
Total forecast saving earmarked to reduce budget deficits	0	1,000	1,000	1,000

- 4.22 The risk strategy for Treasury Management activity also needs to address the risk that interest rates on the existing LOBO loans increase during the period of the MTFS, as detailed in section 5.
- 4.23 In summary the above strategy should address the risk of adopting this option from an increase in the interest rate on the existing CFR over the period of the current MTFS. This risk needs careful management to enable the Council to benefit from the advantages of this option, which are:
- maximising the savings which can be taken towards assisting the current MTFS; and
 - avoid increasing external investments, which would occur if the current strategy of netting down investments and borrowings is unwound. This option therefore avoids increasing the risk of the Council having higher temporary cash investments and the resulting increase in counterparty risk. It also avoids an increase in costs from interest earned on investments being significantly lower than interest paid on new borrowings.
- 4.24 **Option 2 – Fully fund forecast CFR in 2013/14**
- 4.25 The option would unwind the current strategy of netting down investments and borrowings and fully fund the forecast CFR from external loans. Under this option the Council could either fund the CFR on a short-term basis or lock into longer term interest rates. The advantage of this option is that the Council would have certainty over interest costs, although this would depend on the length of new loans.
- 4.26 The maximum financial certainty would be achieved by locking into longer term interest rates for the forecast CFR. However, the cost of this certainty would reduce the interest savings which could be taken towards the MTFS owing to higher interest rates paid on borrowings and the much lower interest earned on investments, which are linked to the base rate. This option would only guarantee the annual MRP savings identified in paragraph 4.21, which are significantly lower than the combined MRP and interest savings which can be achieved by adopting Option 1.

- 4.27 This option would also increase external investments and therefore counterparty risk. The current strategy has aimed to minimise these risks owing to the continued uncertainty in the financial markets and the primary Treasury Management objective of protecting the monies invested by the Council. In my professional opinion I would not recommend a strategy which increases investment risks and potentially puts Council funds at risk.

5. Managing existing debt – LOBO Loans.

- 5.1 As reported in previous Treasury Management Strategy reports the majority of the current external debt (96%) is funded from LOBO (Lenders Option, Borrowers Option) loans. These loans provide fixed interest rates for defined periods and also defined dates for reviewing interest rates, known as 'call dates'.
- 5.2 The LOBO loans were all taken out before the current banking crisis, during the period December 2006 to January 2008. Interest rates on these loans are around 4%, which was lower than the PWLB fixed interest rates available at the time and therefore the LOBO loans have provided ongoing savings compared to the alternative of using the PWLB. By historic standards (excluding the period covered by the current banking and financial crisis) the interest rates on the LOBO loans are low compared to other forms of long term borrowing.
- 5.3 If the lender exercises the option to review the interest rate the Council can either accept the new interest rate, or repay the loan as if it was a maturity loan i.e. there is no penalty or cost of repaying the loan early. At that time the Council would need to refinance these loans. To manage this risk the original LOBO loans were arranged with different review dates to enable the Council to phase the impact over a number of financial years.
- 5.4 An annual assessment of the probability of lenders exercising the review option is undertaken with support from the Council's external Treasury Advisors. The latest review indicates that this is a low risk for 2013/14 and 2014/15, and a slightly increasing risk for 2015/16 and 2016/17. However, this position will change when the base rate increases and over the period of the MTFS there is potential risk that some of these loans may need refinancing. If this occurs this is anticipated to be at an interest rate above the current LOBO interest rate, as increases in base rates will trigger increases in longer term interest rates. The suggested reserve detailed in paragraph 4.20 would help to manage this risk over the period of the MTFS. Beyond 2016/17 it is anticipated that this potential risk can be managed from the additional MRP savings forecast from 2016/17. This position assumes these forecast additional MRP savings are achieved and future interest rate increases do not exceed current forecasts.

6. Managing the Capital Funding Reserve

- 6.1 The Capital Funding Reserve is earmarked to fund capital expenditure commitments approved by full Council. At the end of each financial year the

value of the Capital Funding Reserve reflects contractual capital expenditure commitments which have not been paid owing to the longer lead time for capital projects which can be phased over more than one financial year.

- 6.2 At the end of 2011/12 the value of the Capital Funding Reserve was approximately £2.6m. The majority of this amount will be used to fund existing capital commitments in 2013/14, although some funding may be carried forward to fund existing capital commitments in 2014/15.
- 6.3 Whilst, the Capital Funding Reserve is committed to fund existing capital expenditure commitments, there is a potential opportunity to replace this funding with Prudential Borrowing. This would then enable this one-off funding to be reallocated to fund other one-off commitments, of either a revenue or capital nature, which may need to be funded in future years.
- 6.4 As Members will appreciate the use of Prudential Borrowing would result in an additional unfunded budget pressure and in normal circumstances I would not recommend that this approach should be adopted as it would simply increase the revenue budget deficit.
- 6.5 However, the Council faces unprecedented financial challenges/uncertainty and budget deficits over the next 4 years. Therefore, all potential opportunities and options for maximising future financial flexibility need to be assessed.
- 6.6 In relation to the Capital Funding Reserve this needs to consider whether it would be in the Councils medium term financial interest to release this funding by replacing it with prudential borrowing. This would then provide an uncommitted revenue reserve to fund future, and currently unidentified, expenditure commitments. As it is anticipated that the majority of the Capital Funding Reserve will be spent in the current year this issue needs to be considered in the current year otherwise the opportunity to increase future financial flexibility will be lost.
- 6.7 In considering this option a strategy for managing the resulting additional unfunded Prudential Borrowing costs, which would be in the order of £0.23m, would need to be developed. This is a complex area. However, it would be possible to maximise future financial flexibility and avoid an immediate budget pressure in 2013/14 by adopting the following strategy:
- Step 1 - approve an increase in the 2012/13 Prudential Borrowing limits of £2.6m to release the Capital Funding Reserve;
 - Step 2 – relocate the Capital Funding Reserve and create a Prudential Borrowing Repayment Reserve. This amount would be specifically invested to offset the interest payable on the increased Prudential Borrowing in 2013/14, thereby mitigating the resulting revenue budget pressure. From 2014/15 there would still be a residual budget pressure from the net interest and MRP

costs, which it is anticipated can be funded from the existing capital financing budget in 2014/15 and future years.

- Step 3 – The Prudential Borrowing Repayment Reserve would be retained until such time as the Council needs to fund unforeseen one-off future expenditure commitments not yet identified through existing risk management arrangements. At the point such one-off commitments arise the Prudential Borrowing Repayment Reserve could then be reallocated to fund these issues. This would then result in a permanent revenue cost from the increased use of Prudential Borrowing. Alternatively, in the event that no unexpected additional one-off commitments arise over the next 4 years the Prudential Borrowing Repayment Reserve can be used to repay the additional Prudential Borrowing, arising from the implementation of this strategy, which would remove the potential revenue pressure.

- 6.8 In my professional opinion this proposal is an appropriate strategy to help manage the unprecedented financial challenges and uncertainty facing the Council over the next 4 years, such as the in-year impact of a reduction in business rates for the Power Station. Therefore, I recommend that these arrangements are implemented as this will provide financial flexibility to help manage the financial challenges facing the Council and help avoid significant in-year budget cuts if these risks occur. This position will need to be managed carefully and an annual update will be provided in the Treasury Management Strategy submitted to the Audit Committee and full Council.

7 PRUDENTIAL CODE MID-YEAR REVIEW 2012/13

- 7.1 The previous sections outlined the proposed Treasury Management Strategy for future years. These proposed changes will not impact on the prudential indicators approved by full Council for 2012/13. Compliance against the approved 2012/13 indicators is monitored on a regular basis and there are no breaches to report.
- 7.2 The CFR and Capital Expenditure Financed by Borrowing will vary from the original estimate approved by full Council in February 2012 owing to planned capital expenditure being rephased to 2013/14 and the approval of the strategy outlined in paragraph 6.7. An initial assessment indicates that there will be no net impact on the total borrowing forecast for the period of the MTFS although there may be timing differences around individual financial years.

8 CONCLUSION

- 8.1 The continued uncertainty in financial markets around the world, the uncertain economic outlook and future direction of interest rates make Treasury Management particularly challenging. These factors are unprecedented in modern economic terms (i.e. the last 100 years) which

means it is extremely unclear which direction interest rates will take in future years.

- 8.2 Despite these uncertainties the Council still needs to develop a sustainable and robust Treasury Management Strategy for 2013/14. This strategy also needs to fit in with the MTFS owing to the impact of Treasury Management costs on the overall budget. The report therefore addresses the potential benefits and risks relating to Treasury Management activity.
- 8.3 In terms of a borrowing strategy the report outlines two options. In my professional view it is recommended that the Council adopts Option 1, which continues with the current strategy of netting down investments and borrowings and delays any new long term borrowing. This strategy is based on an assessment of the forecast borrowing requirement over a 15 year period.
- 8.4 This strategy should enable a significant revenue savings to be achieved. The strategy is not without financial risk and to manage this position I would recommend that a specific risk reserve is established from the forecast 2013/14 saving. If the risk reserve is not established I would not recommend that this option is adopted. This proposal will then enable a saving of £1m to be taken towards the 2014/15 budget deficit. This would significantly reduce the forecast underfunded deficit for 2014/15 from £1.4m (assuming the saving plan is achieved) to £0.4m.
- 8.5 Risk will also be managed by setting a trigger point of 3.5% for 10 year interest rates. When this trigger point is reached I will need to determine if it is appropriate at that time to lock into longer term interest rates.
- 8.6 The recommended strategy proposes allocating forecast MRP and interest savings towards reducing the 2014/15 budget deficit, rather than allocating to fund new capital expenditure. This recommendation reflects the overall budget deficits facing the Council over the next 4 years or £18m to £21m. The strategy is also based on the anticipation that the Government will continue to support local authority capital expenditure from capital grants, rather than borrowing approvals. If this position changes the Council would need to consider whether it can afford to take on any new borrowing, which would increase the forecast budget deficits over the next four years.
- 8.7 In relation to the Council's investment strategy the report reminds Members of the key issues which need to be considered and in order of importance these are:
- safeguarding the re-payment of the principal and interest of its investments on time;
 - ensuring adequate liquidity;
 - investment return.
- 8.8 In the current economic climate, the current investment strategy has one over-riding risk consideration which is safeguarding the principal invested.

As a result of these underlying concerns the existing investment strategy will continue to net down investments and borrowings and maintain the tight controls already in place in the approved investment strategy. This strategy restricts both the institutions the authority will invest in and the period of Investment. The authority will continue to invest on a short term basis (i.e. up to 100 days) and restrict counterparties to the current investment list as detailed in the 2012/13 Treasury Management Strategy.

9. RECOMMENDATIONS

9.1 It is recommended that Members:

- i) Note the report;
- ii) Approve the adoption of Option 1 for the Council's borrowing strategy which will delay long term borrowing and continue the existing strategy of netting down investments and borrowings until there is a significant forecast change in current interest rates;
- iii) Note and approve my professional advice that if recommendation (ii) is approved that a permanent interest and MRP saving of £1m can be built into the 2014/15 base budget forecast – as detailed in paragraph 4.21,
- iv) Note that if recommendation (iii) is approved the current forecast 2014/15 net budget deficit of £1.4m (assuming the savings plan is achieved) will be reduced from £1m to £0.4m;
- v) Note and approve my professional advice that the saving detailed in recommendation (iii) can only be achieved if the forecast 2013/14 Treasury Management saving of £0.870m is earmarked to establish a 'Treasury Management risk reserve' to manage the risk of interest rates increasing over the period of the MTFS and therefore costs exceeding the reduced ongoing revenue budget;
- vi) Note that an annual review of the 'Treasury Management risk reserve' will be reported to Members as part of the annual Treasury Management review;
- vii) Approve the continuation of the existing investment strategy and counterparty list;
- viii) Approve the proposal for managing the Capital Funding Reserve detailed in paragraph 6.7, the resulting increase in Prudential Borrowing Limits and to note that an annual update will be reported to Members;
- ix) Note the prudential code mid-year review in section 7; and,
- x) Refer the above proposals to full Council for approval.

10. APPENDICES AVAILABLE ON REQUEST, IN THE MEMBERS LIBRARY AND ON-LINE

None

11. BACKGROUND PAPERS

None

12. CONTACT OFFICER

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