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**REVIEW OF THE MEDIUM TERM FINANCIAL PLAN  
INCLUDING 2011/12 OUTTURN AND QUARTER 1 BUDGET MANAGEMENT  
JULY 2012**

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**Responsible Cabinet Member - Councillor Bill Dixon, Leader**

**Responsible Director - Chief Officer Executive**

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**SUMMARY REPORT**

**Purpose of Report**

1. To update the MTFP in light of the 2011/12 outturn and to agree an approach to the next phase of transforming the Council.

**Summary**

2. The Council continues to face a significant ongoing financial challenge in terms of reducing Government Grants. The Council's projected income post 2012/13 is subject to potentially significant revision as the Government implements changes in the Local Government Funding system from 01 April 2013. The Council has responded positively to front loaded reductions in government grant and as a result has the ability to take on a medium term approach to the next phase of transforming the Council. The budget reductions required by 2016/17 are currently estimated to be £9.8m from a net budget of £80m, such a significant reduction in addition to the £23m reductions already agreed will need considerable planning and consultation. This report recommends the 2013/14 budget is produced on current service levels with the pre-planned Council Tax increase implemented whilst work commences now to produce plans for delivering the reductions required post 2013/14 to be consulted on in Spring 2014.

**Recommendations**

3. Cabinet are recommended to:-
  - (a) Note the 2011/12 outturn.
  - (b) Agree the carry forward requests set out in **Appendix 1** paragraph 8.
  - (c) Note the forecast revenue outturn for 2012-13.
  - (d) To defer the decision on terms and conditions as set out in paragraph 16 and **Appendix 3** until the Councils overall financial position and plans are clearer.
  - (e) Agree the approach to preparing the 2013/14 budget as set out in paragraph 21.

## Reasons

4. The recommendations are supported by the following reasons :-
- (a) Members understand the impact of the revenue outturn.
  - (b) To continue effective management of resources.
  - (c) To enable services to deliver planned outcomes.
  - (d) To balance the impact of changes in Employee Terms and Conditions with the impact on services of proposals in the next phase of transformation.
  - (e) To enable a medium term approach to be taken.

## Chief Officer Executive

### Background Papers

MTFP Council Report 1 March 2012

Elizabeth Davison Ext 2601

S17 Crime and Disorder	This report has no implications for crime and disorder.
Health and Well Being	There are no issues relating to health and wellbeing which this report needs to address.
Carbon Impact	There are no specific carbon impact issues in this report
Diversity	The report does not contain any proposals that impact on diversity issues
Wards Affected	All wards are affected
Groups Affected	No specific groups are particularly affected
Budget and Policy Framework	The report proposes an approach for the next phase of transforming the council but does not propose changes to the budget or policy framework
Key Decision	The report does not require a key decision
Urgent Decision	The report does not require an urgent decision
One Darlington: Perfectly Placed	The subject matter of the report, the Council's financial standing and financial management, is critical to delivery of the SCS, but this report does not contain new proposals.
Efficiency	The report contains updated information regarding efficiency savings contained in the MTFP.

## MAIN REPORT

### Financial Context and Background

5. Local Government has and still is experiencing significant income loss as part of the Government's austerity measures and the likelihood is that further funding reductions are yet to come. Estimates based on the most up to date information suggest that during the period 2010/11 to 2016/17, the Council will have seen its funding from Central Government reduced by £24M (33%). Since the emergency budget in 2010 the Council has responded by agreeing plans to reduce its expenditure by £23M by 2015/16.
6. The Council has responded to the need to reduce expenditure and has put plans in place to deliver savings to meet the challenging front loaded early reductions in grant which were contained within the Comprehensive Spending Review 2011. The Council received formal notification of actual grant reductions for 2010/11, 2011/12 and 2012/2013 however beyond these years projected grant losses are estimated based on information produced at national level, extrapolated to local level and do not reflect any potential changes as a result of the new Local Government funding regime, due to be implemented on 1 April 2013.
7. In agreeing the latest revision to the MTFP, Council were aware that significant further cost reductions would be needed and these were estimated as shown below:-

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	£m's	£m's	£m's	£m's
Budget reductions required	1.933	2.659	7.312	9.400

8. The profile of the required reductions are now weighted towards the end of the MTFP giving the Council an opportunity to consider a more medium term approach to delivering solutions to reduce expenditure.

### 2011/12 Outturn and 2012/13 Quarter 1 Budget Management.

9. The annual closure of accounts gives the Council an opportunity to review its MTFP in light of the previous financial year's experience. The position with regards to revenue balances at year end, along with understanding the impact of positive and negative variations in expenditure and income compared to budget can be taken into account when looking forward
10. Attached at Appendix 1 is a detailed outturn report for 2011/12. The report highlights an improvement in terms of revenue balances of £2.985m at 31 March 2012 compared to projections in the MTFP.
11. The improvement in balances can be attributable to a number of factors including an increase in turnover and subsequent profit in our trading divisions, the utilisation of external funding streams to offset expenditure, increased income, early implementation of agreed staffing restructure and reduced expenditure in areas such as winter maintenance.

12. The MTFP approved in March 2012 included an estimated general fund reserve of £10.683M, £2.673M higher than the risk reserve of £8.010M. Whilst balances are available to be used they are a one off resource and are not a sustainable mechanism to fund services. Subject to External Audit the balances at 31 March 2012 are £13.668M and whilst an improvement on the MTFP the principle remains the same in that they can only be used once and are therefore not appropriate for funding ongoing services.
13. There are a number of variances against budget detailed in the report some of which affect the 2012/13 MTFP and future year budgets. In light of the out turn position and in preparation for the Quarter 1 Budget Management report a full review of the budget has been undertaken. Management have scrutinised their budgets and at this early stage of the financial year have identified one off savings that can be returned to balances in 2012/13 along with ongoing savings which can be removed on a recurrent basis.
14. Attached at **Appendix 2** is the Quarter 1 Budget Management report for 2012/13. The report highlights one off savings of £1.454m along with ongoing savings of £0.663m and the release of the pay award contingency of £0.500m.
15. The report also notes a budget pressure of £2.103M highlighted through the review process. The MTFP includes an allowance for headroom in future years which is specifically identified to cope with the impact of new pressures and can therefore be used to help meet this demand.
16. The variations against MTFP identified in Appendix 1 & 2 impact in both negative and positive ways on the 2012/13 and future year budgets, set out below are variations demonstrating the impact on future year budgets. Also included below are the financial implications of the report attached at Appendix 3 in regard to employee terms and conditions. The report notes the savings identified in the MTFP for 2013/14 and 2014/15 with regard to a pay freeze and 3 days unpaid leave. As there has been no pay award offered for 2012/13 the contingency of £0.500M set aside can be released which from a financial perspective covers the savings requirement until 2013/14. It is therefore recommended decisions relating to employee terms and conditions be deferred and be considered alongside future budget saving proposals.

	2012/13	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m	£m
Budget reductions required as per MTFP	NIL	1.933	2.659	7.312	9.400
Headroom	NIL	(1.500)	(1.750)	(2.000)	(2.000)
<b>Total</b>		<b>0.433</b>	<b>0.909</b>	<b>5.312</b>	<b>7.400</b>
<b>Less</b>					
Out turn contribution to balances over the MTFP	(2.985)				
One off savings identified	(1.454)				
Ongoing savings	(0.663)	(0.663)	(0.663)	(0.663)	(0.663)
Contingency Release - Pay award	(0.500)	(0.500)	(0.500)	(0.500)	(0.500)
<b>Plus</b>					
New Pressures	2.103	2.103	2.103	2.103	2.103
Pressures Terms and Conditions		0.760	1.211	1.211	1.211
2012/13 Cabinet approvals	0.484	0.314	0.314	0.314	0.314
<b>Revised Budget reduction requirement</b>	<b>(3.015)</b>	<b>2.447</b>	<b>3.374</b>	<b>7.777</b>	<b>9.865</b>

17. The table above demonstrates that the estimated reduction required in the 2013/14 can be managed by using positive balances anticipated in 2012/13.

### **Transforming the Council 2016/17 and beyond**

18. As demonstrated above the Council has potentially two “manageable” years (2012/13 and 2013/14) from a financial viewpoint, the significant financial challenge being in subsequent years, however, as Members will appreciate delivering significant cost reductions have long lead in times and require investment up front in either service redesign or decommissioning costs, therefore planning for cost reduction in 2014/15 needs to commence soon.
19. The two “manageable” years do give the Council the opportunity to take a more medium term approach to transforming the Council and design a Council post 2016/17 that concentrates reduced resources on delivering the key outcomes for the Borough. The approach would build on the work already completed and would allow the Council the time and opportunity to see if services could be delivered in a different shape, by different people or with alternative sources of funding. The increase in balances mentioned previously would complement this approach enabling the council to look at invest to save programmes or pump prime work to enable communities to become self reliant.
20. Members will appreciate that if final reductions required are as set out in paragraph 7 the task of reducing the budget to this level will be extremely challenging, even given the medium term approach suggested.

### **Financial Projections and Budget Setting**

21. As previously stated, the Council’s income from 2013/14 is subject to significant variation and although the Government has announced the majority of the framework of the new Local Government Funding regime (see **Appendix 4** for a summary) the financial

implications for each Council are unlikely to be known until December 2012, which is too late to significantly impact on the 2013/14 budget as insufficient time for consultation with the public would be available before the setting of the budget and Council Tax for 2013/14. Therefore it is recommended that preparations for the 2013/14 budget are based on the latest projection of income and expenditure known at the present time. Given what is known about the budget gap set out in paragraph 16 it is recommended that the 2013/14 budget is prepared on the basis that: :-

- (a) it delivers current agreed and planned service levels
  - (b) a Council Tax increase of 3.5% as signalled in March 2012 be implemented.
  - (c) any further efficiency savings that can be achieved be implemented.
  - (d) any shortfall is met by revenue balances.
22. The above approach would be underpinned by the following work to enable the Council to fully revise the MTFP subsequent to March 2013 :-
- (a) The December 2012 finance settlement will be analysed to recalculate future income levels
  - (b) The new Local Government finance system will be interpreted to ensure all threats and opportunities are understood and factored into future planning.
  - (c) A process is implemented immediately to allow Cabinet to develop proposals for prioritising the resources of the Council to ensure it operates within its new financial limits post 2013/14.
  - (d) Cabinet's proposals will be subject to public consultation commencing in Spring/Summer 2013.
  - (e) A revised MTFP is developed and agreed prior to March 2014.

### **Outcome of Consultation**

23. No external consultation has been carried out in preparing this report.

## REVENUE OUTTURN 2011-12

## Information and Analysis

1. The Council's 2011-12 revenue accounts are close to being finalised, subject to Audit. The financial results for 2011-12 are an important part of the continuous cycle of financial management that includes resource allocation, budgeting, budget management and review.
2. The overall financial results are satisfactory. Departmentally managed budgets are £3.428M better than the 2012-16 MTFP, however this includes a number of areas where expenditure has slipped and £1.033M is requested to be carried forward. Before any transfers between corporate and departmental resources, corporate balances are £0.590M better than the 2012-16 MTFP. The closing General Fund reserves balance is projected to be £13.668M, which is £2.985M better than the 2012-16 MTFP.

## General Fund

3. The provisional outturn for 2011-12 is summarised in the table below.

Projected General Fund Reserve at 31 March 2012	Variance from 2011-15 MTFP	Variance from 2012-16 MTFP
	£000	£000
<b>MTFP Planned Opening Balance 01/04/2011</b>	9,279	
Approved net contribution from balances	(2,095)	
Increase in opening balance from 2010-11 results	1,398	
Corporate underspends / (overspends)		
Financing Costs	560	140
Youth Offending Service Grant	321	
Civic Theatre	(100)	
Pathfinder Grant	20	
Landfill Allowance Trading Scheme	36	
Pay Award Savings	575	
Unused Adult Services Grant	100	
Unused LSSG Grant	84	
Adults Learning Disability Contingency	346	346
Past Service Cost Contingency	104	104
<b>Sub-Total</b>	<b>10,628</b>	<b>590</b>
Departmental underspends / (overspends)		
Council Wide	(171)	170
People	1,497	1,023
Place	2,122	1,575
Resources	625	660
<b>Departmental total</b>	<b>4,073</b>	<b>3,428</b>
<b>Carry forward requests</b>	<b>(1,033)</b>	<b>(1,033)</b>
<b>Projected General Fund Reserves at 31 March 2012</b>	<b>13,668</b>	<b>2,985</b>

## Departmental Resources

4. Departmental outturn projections for 2011-12 show an improvement of £3.428M compared with the 2012-16 MTFP. £1.033M of this relates to areas of expenditure slippage which are detailed in paragraph 8 and are requested to be carried forward.
5. There are a number of reasons the remaining improvement occurred, the largest of which was in Building Services, turnover increased significantly in the last quarter of the year, which along with the effects of a staffing restructure reducing the cost base improved profits by £0.730M. We also had the opportunity to allocate £0.435M of expenditure to a number of different external funding streams and income increased over anticipated across the board by £0.190M. The Winter Maintenance budget under spent by £0.105M and the housing benefits subsidy payment was £0.104M higher than anticipated.
6. The improvements noted above and a general tightening up of spend including holding vacancies open and implementing efficiencies resulted in an improvement of £2.395M and it is proposed to transfer this sum to corporate reserves.
7. The proposed use of departmental resources is summarised below:-

	Retained as departmental carry forward to 2012-13	Transfers to Corporate Resources	Total
	£M	£M	£M
People	0.155	0.868	1.023
Place	0.621	0.954	1.575
Resources	0.257	0.403	0.660
Council wide	0.000	0.170	0.170
<b>Total</b>	<b>1.033</b>	<b>2.395</b>	<b>3.428</b>

8. There have been a number of areas of expenditure slippage where either works could not be completed before the year end or where it was prudent to delay expenditure, for example to minimise customer disruption or avoid potential severance costs. Members are therefore requested to approve the following specific carry forward of resources into 2012-13:-
  - (a) People Services has a credit year-end balance of £1.023M. It is proposed that £0.868M be returned to corporate resources and approval is requested to carry forward £0.155M into 2012-13:-
    - (i) Adult Social Care are requesting a carry forward of £0.045M. £0.025M is to meet the requirements of the National Dementia Strategy where funding has been received from NHS County Durham and Darlington, however due to the timing of the receipt it was not possible to commission the service during 2011/12. £0.020M is requested for a prevention service within Mental Health Day Services for the first quarter of the year as transition arrangements meant the start of the service was delayed for 3 months.



- (ii) Development & Commissioning are requesting to carry forward £0.070M to include £0.060M for Darlington Together for a project on commissioning resilience which was deferred until 2012-13 when the market was more mature and better value for money could be achieved and £0.010M for the Welfare Rights service to review the welfare rights provision across the borough, these were both planned for 2011-12 but delayed hence the carry forward request.
  - (iii) It is also requested to carry forward £0.040M from the Youth Opportunities budget to support the DOSH and enable young people to commission activities through a submission process. Planned work last year was unfortunately halted due to issues with the charitable organisation officers were working with so the carry forward is requested so the DOSH board can be reinstated and this financial year.
- (b) Place has a credit year-end balance of £1.575M. It is proposed that £0.954M be returned to corporate resources and approval is requested to carry forward £0.621M into 2012/13:-
- (i) Highways is requesting a carry forward of £0.281M due to the slippage of various schemes including Street lighting cabling work (£0.138M), highway bridges and structural maintenance work (£0.059M), Rights of Way works (£0.040M), Energy efficiency works (£0.020M), rural bus shelter works (£0.009M) and East Row Taxi rank upgrade (£0.015M).
  - (ii) Culture are requesting a carry forward of £0.233M due to slippage of Civic Theatre toilet refurbishment (£0.080M), Crown Street Library works (£0.042M), and various essential repairs and maintenance and energy efficiency works across a number of culture venues (£0.111M).
  - (iii) Policy & Regeneration are requesting a carry forward of £0.107M to include the under spend on Single Programme for the completion of design on the Innovation Centre for Central Park (£0.034M). Match funding for the Employability Project (£0.039M) the project was originally expected to be approved in November 2011 but delays in the process meant approval was not received until April 2012. Supported Community Transport (£0.019M) to look at the feasibility for community transport in the borough. Business Improvement District (£0.009M) to fund the set up of the new Bid company following the successful ballot in April 2012 and £0.006M to fund additional capacity for one year for the Empty Properties Officer to improve our void situation and increase the New Homes Bonus.
- (c) Resources has a credit year-end balance of £0.660M. It is proposed that £0.403M be returned to corporate resources and approval is requested to carry forward £0.257M into 2012/13:-
- (i) It is requested to carry forward the balance of the Equal Pay funding of £0.236M agreed by Cabinet in July 2010 as well as £0.021M for corporate training and transformation projects.

- (d) Council wide has a credit balance of £0.170M and it is proposed to return it to corporate resources.

### **Corporately Managed Resources**

9. The outturn projection of corporately managed budgets shows an improvement of £0.590M. This is due to the release of un-required contingencies for Adults Learning Disability of £0.346M and Past Service Pension Deficit of £0.104M as well as additional savings on financing costs of £0.140M.

### **Housing Revenue Account**

10. The closing balance on the HRA is £4.294M compared with a projected closing balance of £1.4M. From 2012-13 the HRA is self-financing and as a result the HRA will be more exposed to risks than when it was part of the old subsidy system, such as interest rates on borrowing and inflation. Due to this greater risk, it is prudent to hold a higher working balance and it is advised around £2M will be required to cover any unforeseen issues. There has also been slippage in capital expenditure of around £2.1M into 2012-13. This slippage will be resourced from revenue contributions during 2012-13, which will see a reduction in the HRA balances to more expected levels.

### **Collection Fund**

11. The Collection Fund is a statutory account for Council Tax and National Non-Domestic Rates (NNDR) collection and distribution. National pooling arrangements mean that the local impact of NNDR collection is generally neutral. Council Tax collection, however, impacts directly on the resources available to the Council, Police and Fire Authorities.
12. Subject to audit, the Collection Fund outturn for 2011-12 for the Council is a deficit of £0.208M.

### **Corporate Resources Summary**

13. Taking all the above into account, the Corporate General Fund reserve at 31 March 2012 is £13.668M, summarised in the table below. The overall increase compared with the approved MTFP for 2012-16 is £2.985M.

	£M
Planned General Fund reserve at 31 March 2012	10.683
Proposed improvement in net contribution from departmental balances	2.395
Improvement in corporate resources	0.590
<b>General Fund reserves as at 31 March 2012</b>	<b>13.668</b>
<b>Increase in Corporate General Fund reserves compared with the MTFP</b>	<b>2.985</b>

### **Outcome of Consultation**

14. No external consultation has been carried out in preparing this report.

**REVENUE BUDGET MONITORING 2012-13 – QUARTER 1****Information and Analysis**

1. This is the first revenue budget management report to Cabinet for 2012-13, and provides an early forecast of the 2012-2013 revenue budget out turn as part of the Council's continuous financial management processes.
2. To enable timely information to be presented to Cabinet and in accordance with the statutory report publication requirements, this report has been completed before the end of the first quarter. As the Council operates frequent, regular and predictive budget management processes, including quarterly reports to Cabinet, changes in projected outturn, which are inevitable in a large and complex organisation, will be reported to future meetings.
3. The information for this report has been taken from the financial records for April and May 2012 and service managers' projections for the remainder of the year, using their knowledge of events affecting the service they manage.
4. The Council's financial results for 2011-12, are satisfactory, with an increase in resources of £2.985M carried forward to 2012-13.
5. A detailed review of the 2012/13 budget has been undertaken during April and May and managers have scrutinised their budgets in light of the 2011-12 out turn position. In total managers have identified £0.663M of ongoing savings which can be removed from budgets without impacting on service delivery.
6. Whilst the £0.663M has been identified across all service areas and is a composite of small savings, there are a few larger efficiencies including, External Audit fee reduction £0.079M, DLO pension back funding reduction £0.144M, reduction in property and premises recharges £0.060M and anticipated external income £0.050M.
7. In addition one off savings of £1.454m have been identified. In summary £0.532M relates to accruals from previous years in both Adult Services and premises budgets which have been brought forward in the year end accounts, an analysis has been undertaken and it is now considered safe to release these accruals as the risk of them being called upon is low. £0.407M relates to an Adults Social Care Reform grant received in 2009 which is now not required as the service funding requirements have been mainstreamed into the MTFP. There are also one off savings due to efficiencies being implemented early (£0.050M), grant income above anticipated in Early Intervention (£100k), Youth Offending Service (£0.200M), and LSSG (£0.055M). Finally there are efficiencies in vehicle replacements where the life of the asset can be extended for 1 year (£0.096M) and insurance premium savings and CCTV income totalling £0.014M.
8. Both the one off and recurring savings have been moved from departmental budgets into balances to ensure they are captured and can be seen in **Annex 1**.

9. The out turn analysis and the work undertaken in the first 2 months of the year have highlighted pressures of £2.103M. Details are noted in paragraphs 11 to 15 with the main pressure of £1.100M being in the Looked after Children budget.
10. The overall position is that General Fund reserves at 31<sup>st</sup> March 2013 are projected to be £13.694M which an improvement of £3.015M on the planned balances in the 2012-16 MTFP. The projections are summarised in **Annex 1**.

### **Departmental Resources**

11. Departmental Resource projections are summarised in **Annex 3** and detailed in **Annex 3(a) to 2(e)**. Budget management projections show a deficit of £2.103M compared with the 2012-16 MTFP.
12. The People Group are forecasting a deficit of £1.262M. Children and Family Social Care Division have identified a pressure on the external placements budget of £1.100M. The levels of children requiring looked after provision at the start of the financial year would have resulted in a pressure of £0.500M in comparison with the MTFP which was set at levels in December 2011. However there has also been a net increase of 9 children since the start of the financial year which results in a further pressure of £0.550M. There has also been a pressure of £0.100M identified as a result of a shortfall in nursery income. Management are looking at ways to mitigate both these pressures, however it is prudent at this point in time to highlight the issues.
13. Adult Social Care & Health and Housing are not reporting any variances to budget at this stage.
14. The Place Group are forecasting a deficit of £0.632M at this early stage. Following changes to the charging model for concessionary fares which did not come to light until February 2012, we are now expected to incur additional costs of £0.400M this year. The reversal of the £1 per hour Sunday charge is expected to result in a pressure of £0.082M in car parking income. A delay by the Government on the introduction of localised planning fees is likely to result in a pressure of £0.050M in Planning Development. There is also a pressure of £0.100M in Strategy and Commissioning where resources were removed in the MTFP in error.
15. The Resources Group is forecasting a deficit of £0.209M. This is mainly due to legal costs anticipated for equal pay claims of £0.100M and out of date cheque income in finance which is unlikely to materialise. This has been estimated following the out turn results in 2011-12 which saw this income reduce significantly.
16. School balances are shown in **Annex 2f**.

### **Corporate Resources**

17. The latest projection of corporate resources is a £5.118M surplus which is a result of an improved opening general fund balance following the 2011-12 outturn results of £2.985M plus the one off and reoccurring savings removed from departmental budgets of £2.117M, plus the release of £0.500M contingency for the pay award which is not required less an allocation of £0.374M towards wheeled bins as agreed by Cabinet on 3 April 2012, an

allocation of £0.060M for the Arts Centre as agreed by Cabinet on 1 May 2012 and an allocation of £0.050M for a travellers feasibility study, agreed by Cabinet on 12 June 2012.

### **Housing Revenue Account**

18. HRA projections are shown in **Annex 3**. The HRA remains stable.

### **Conclusion**

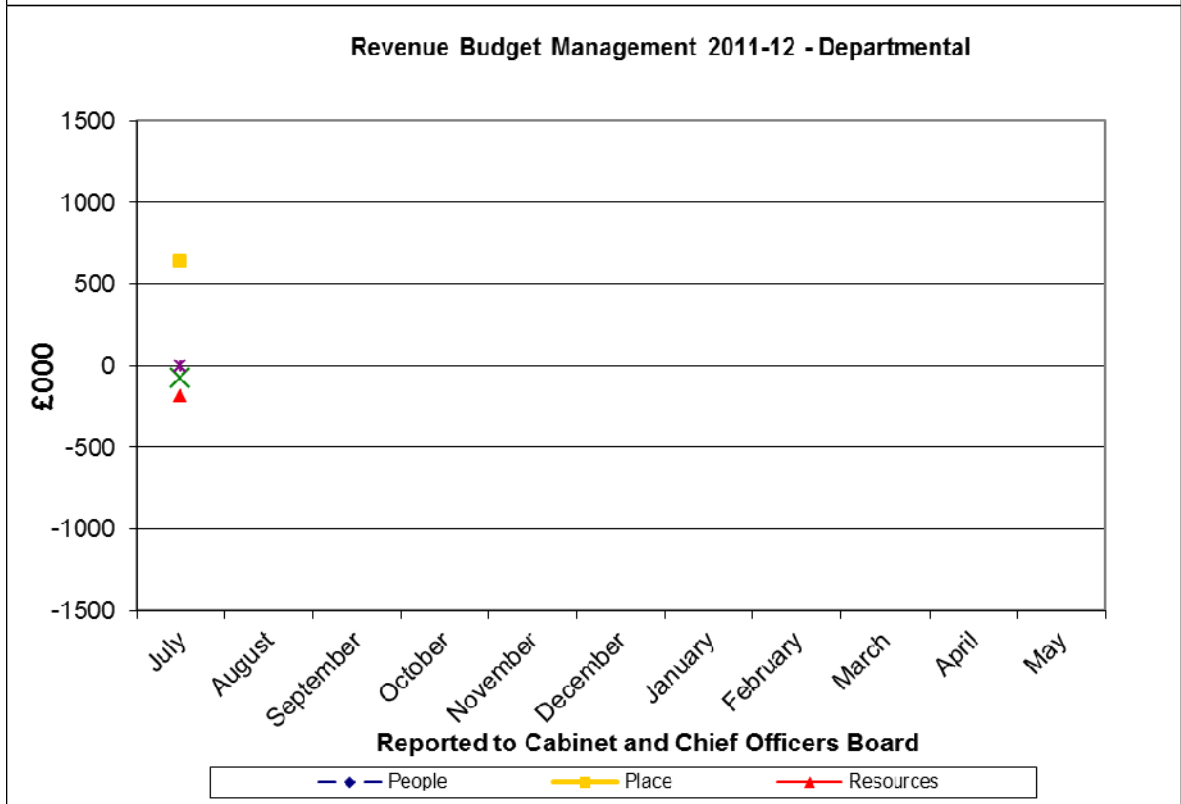
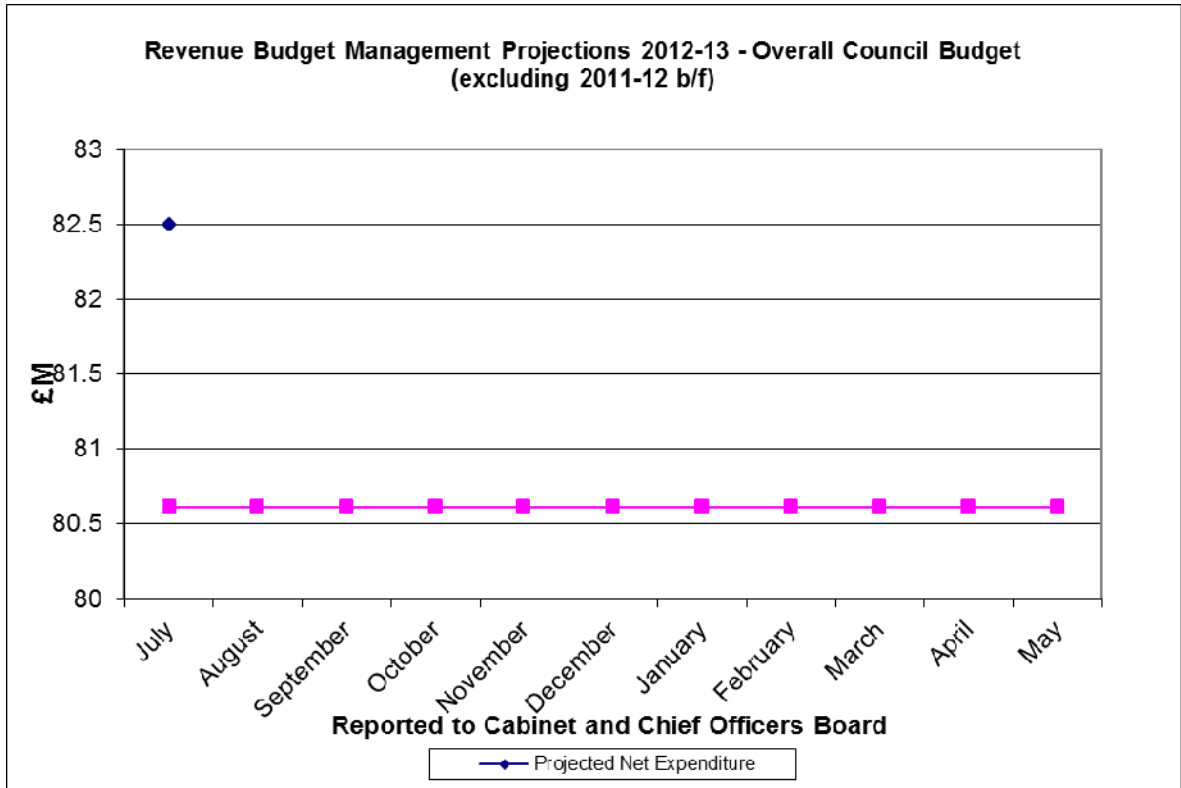
19. Following the positive 2011-12 outturn position a detailed analysis of budgets has been undertaken and one off and reoccurring savings of £2.117M have been identified and taken into reserves. Although we are at a very early stage in budget monitoring pressures of £2.103M have also been identified. The early indications are that the Council's projected revenue reserves at the end of 2012-13 will be £13.694M, which is £3.015M better than the planned position. Departmental reserves are projected to be in deficit by £2.103M and corporate reserves in surplus by £5.118M compared with the 2012-16 MTFP. Management action is continuing to deliver improvements in efficiency both in the current year and the longer term.

### **Outcome of Consultation**

20. No external consultation has been carried out in preparing this report.

## REVENUE BUDGET MANAGEMENT 2012/13

	2012-16
	MTFP (Mar 2012)
<b>Medium Term Financial Plan (MTFP) :-</b>	£000
MTFP Planned Opening Balance 01/04/2012	10,683
Approved net contribution from balances	(4)
<b>Planned Closing Balance 31/03/2013</b>	<b>10,679</b>
Increase in opening balance from 2011-12 results	2,985
Projected corporate underspends / (overspends) :-	
Wheeled Bins	(374)
Arts Centre	(60)
Travellers Feasibility	(50)
Unused LSSG Grant	30
Place based savings	367
People based savings	244
Resources based savings	399
Pay Award from contingencies	500
Social Care Reform grant and Accrual release	877
Youth Offending Service Grant	200
<b>Projected General Fund Reserve (excluding Departmental at 31st March 2013)</b>	<b>15,797</b>
<b>Planned Balance at 31st March 2013</b>	<b>10,679</b>
<b>Improvement</b>	<b><u>5,118</u></b>
<b><u>Departmental projected year-end balances</u></b>	
	Improvement / (decline) compared with 2012-16 MTFP
	£000
Council Wide	0
People	(1,262)
Place	(632)
Resources	(209)
<b>TOTAL</b>	<b><u>(2,103)</u></b>
<b><u>Summary Comparison with :-</u></b>	
	2012-16
	MTFP
	£000
Corporate Resources - Improvement / (Decline)	5,118
Departmental - Improvement / (Decline)	<u>(2,103)</u>
Improvement / (Decline) compared with MTFP	<b><u>3,015</u></b>
<b>Projected General Fund Reserve at 31st March 2013</b>	<b><u>13,694</u></b>



<b>GENERAL FUND REVENUE BUDGET MANAGEMENT 2012/13</b>					
	<b>Budget</b>			<b>Expenditure</b>	
	Original 2012/13	Approved Adjustments	Amended Approved Budget	Projected Outturn	Projected Variance
	£000	£000	£000	£000	£000
<b>Departmental Resources</b>					
People	45,785	(745)	45,040	46,302	1,262
Place	19,206	(635)	18,571	19,203	632
Resources	11,447	596	12,043	12,252	209
Chief Executive	230	(1)	229	229	0
Council Wide	(1,300)	259	(1,041)	(1,041)	0
<b>Total Departmental Resources</b>	<b>75,368</b>	<b>(526)</b>	<b>74,842</b>	<b>76,945</b>	<b>2,103</b>
<b>Corporate Resources</b>					
Transformation grant and Accrual release					
Financing Costs	3,410	0	3,410	3,410	0
Contingencies Budget	1,836	(500)	1,336	1,336	0
Unused LSSG Grant	0	0	0	(30)	(30)
Place Based Savings	0	367	367	0	(367)
People Based Savings	0	244	244	0	(244)
Resources Savings	0	399	399	0	(399)
Pay Award contingencies	0	500	500	0	(500)
Transformation etc	0	0	0	(877)	(877)
Youth Offending Service Grant	0	0	0	(200)	(200)
Wheeled Bins	0	(374)	(374)	0	374
Travellers Feasibility	0	(50)	(50)	0	50
Arts Centre	0	(60)	(60)	0	60
<b>Total Corporate Resources</b>	<b>5,246</b>	<b>526</b>	<b>5,772</b>	<b>3,639</b>	<b>(2,133)</b>
<b>Net Expenditure</b>	<b>80,614</b>	<b>0</b>	<b>80,614</b>	<b>80,584</b>	<b>(30)</b>
<b>Contributions To / (From) Reserves</b>					
Planned Contribution from General Fund Reserves (MTFP)	(4)	0	(4)	(4)	0
Departmental Brought Forwards from 2011/12	0	0	0	0	0
<b>General Fund Total (excluding 2011-12 b/f)</b>	<b>80,610</b>	<b>0</b>	<b>80,610</b>	<b>80,580</b>	<b>(30)</b>



**REVENUE BUDGET MANAGEMENT UPDATE 2012/13**

	<b><i>Budget</i></b>			Expenditure to May	Projection to March	Total Projection	(Under)/ Over Spend
	Original Budget	Approved Adjustments	Amended Approved Budget				
	£000	£000	£000				
<b><u>Council Wide</u></b>							
Carbon Reduction Commitment	160	0	160	0	160	160	0
Council Wide Savings	(164)	0	(164)	0	(164)	(164)	0
Efficiency Savings	(1,296)	259	(1,037)	(43)	(994)	(1,037)	0
	<b>(1,300)</b>	<b>259</b>	<b>(1,041)</b>	<b>(43)</b>	<b>(998)</b>	<b>(1,041)</b>	<b>0</b>
<b><u>Chief Executive</u></b>	230	(1)	229	33	196	229	0
<b>Total Council Wide</b>	<b>(1,070)</b>	<b>258</b>	<b>(812)</b>	<b>(10)</b>	<b>(802)</b>	<b>(812)</b>	<b>0</b>

## REVENUE BUDGET MANAGEMENT UPDATE 2012/13

	<i>Budget</i>			<i>Expenditure</i>			(Under)/Over Spend £000
	Original Budget £000	Approved Adjustments £000	Approved Budget £000	Expenditure to May £000	Projection to March £000	Total Projection £000	
<b><u>People</u></b>							
<b><u>Director of People</u></b>	735	(51)	684	19	665	684	0
<b><u>Assistant Director - Children, Families &amp; Learning</u></b>							
Children & Family Social Care	10,286	(29)	10,257	1,677	9,680	11,357	1,100
Educational Services	1,324	(106)	1,218	1,668	(450)	1,218	0
Family Support	146	(217)	(71)	436	(407)	29	100
Review & Development Safeguarding	284	0	284	5	279	284	0
Grant Income	(1,070)	(100)	(1,170)	(141)	(1,029)	(1,170)	0
Schools	(20)	0	(20)	26,347	(26,367)	(20)	0
	<b>10,950</b>	<b>(452)</b>	<b>10,498</b>	<b>29,992</b>	<b>(18,294)</b>	<b>11,698</b>	<b>1,200</b>
<b><u>Assistant Director - Development &amp; Commissioning</u></b>							
Assistant Director - Development & Commissioning	112	(3)	109	24	85	109	0
Public Health	10	0	10	0	10	10	0
Strategic Commissioning & Health Partnerships	3,985	(47)	3,938	792	3,208	4,000	62
People & Strategy Improvement	1,508	(16)	1,492	337	1,155	1,492	0
Darlington Together	984	(45)	939	(63)	1,002	939	0
Darlington Partnership	12	0	12	(124)	136	12	0
	<b>6,611</b>	<b>(111)</b>	<b>6,500</b>	<b>966</b>	<b>5,596</b>	<b>6,562</b>	<b>62</b>
<b><u>Adult Social Care &amp; Health</u></b>							
Intake & Reablement	1,784	(470)	1,314	(626)	1,940	1,314	0
Disabled Children	284	80	364	(43)	411	368	4
Long Term Conditions Learning Disability	2,416	(60)	2,356	133	2,151	2,284	(72)
Long Term Conditions Mental Health	923	(2)	921	(16)	937	921	0
Long Term Conditions Older People	1,976	(9)	1,967	113	1,853	1,966	(1)
Long Term Conditions Physical Disability	422	(95)	327	32	288	320	(7)
Purchase of External Care	18,675	485	19,160	(1,892)	21,120	19,228	68
Service Development & Integration	521	(33)	488	(832)	1,328	496	8
	<b>27,001</b>	<b>(104)</b>	<b>26,897</b>	<b>(3,131)</b>	<b>30,028</b>	<b>26,897</b>	<b>0</b>
<b><u>Housing</u></b>							
Local Taxation	32	0	32	91	(59)	32	0
Rent Rebates/Rent Allowances	(70)	(30)	(100)	3,765	(3,865)	(100)	0
Housing Benefits Administration	36	(6)	30	240	(210)	30	0
Homelessness	147	5	152	(94)	246	152	0
Welfare Services	165	0	165	0	165	165	0
Service Strategy, Regulation and General Services	178	4	182	(20)	202	182	0
	<b>488</b>	<b>(27)</b>	<b>461</b>	<b>3,982</b>	<b>(3,521)</b>	<b>461</b>	<b>0</b>
<b>In Year Over/(Under) Spend</b>	<b>45,785</b>	<b>(745)</b>	<b>45,040</b>	<b>31,828</b>	<b>14,474</b>	<b>46,302</b>	<b>1,262</b>
Brought forward from 2011/12	0	0	0	0		0	0
Virement	0	0	0	0		0	0
<b>Total People</b>	<b>45,785</b>	<b>(745)</b>	<b>45,040</b>	<b>31,828</b>	<b>14,474</b>	<b>46,302</b>	<b>1,262</b>

	Budget			Expenditure			(Under)/ Over Spend £000
	Original	Approved	Approved	Expenditure	Projection	Total	
	Budget £000	Adjustments £000	Budget £000	to April £000	to March £000	Projection £000	
<b><u>Place</u></b>							
Director of Place	117	0	117	20	97	117	0
<b><u>Policy &amp; Regeneration</u></b>							
Management & Administration	133	(5)	128	21	107	128	0
<b><u>Business Engagement</u></b>							
Economic Regeneration	309	(8)	301	(287)	588	301	0
<b><u>Strategy &amp; Commissioning</u></b>							
Strategy & Commissioning	632	(16)	616	(374)	1,090	716	100
<b><u>Programme &amp; Projects</u></b>							
Programme & Projects	467	(53)	414	(60)	474	414	0
Supported Buses	167	0	167	(118)	285	167	0
Concessionary Fares	2,707	0	2,707	(204)	3,311	3,107	400
LSTF	0	0	0	372	(372)	0	0
<b><u>Regulatory Services</u></b>							
Building Control	151	(1)	150	29	121	150	0
Commercial & Licensing	(43)	(16)	(59)	(70)	11	(59)	0
Development Management	(73)	(12)	(85)	(1)	(34)	(35)	50
Emergency Planning	93	(1)	92	5	87	92	0
Environmental Health	528	(11)	517	77	440	517	0
Flood & Water Act	0	0	0	0	0	0	0
Private Sector Housing	148	(1)	147	(20)	167	147	0
Management & Administration	173	(10)	163	28	135	163	0
Parking	(2,408)	(8)	(2,416)	(316)	(2,018)	(2,334)	82
Trading Standards	269	(2)	267	38	229	267	0
<b><u>Community Services</u></b>							
Strategic Development of Arts	100	0	100	0	100	100	0
Arts & Civic	172	(10)	162	(342)	504	162	0
Bowling Centre	14	0	14	4	10	14	0
CCTV	298	(7)	291	22	269	291	0
Cemeteries & Crematorium	(639)	(106)	(745)	(67)	(678)	(745)	0
Christmas Lights	31	0	31	(28)	59	31	0
Community Grants	22	0	22	0	22	22	0
Countryside	208	(2)	206	(42)	248	206	0
Dolphin Centre	1,706	17	1,723	227	1,496	1,723	0
Eastbourne Complex	121	(5)	116	27	89	116	0
Head of Steam	252	1	253	42	211	253	0
Libraries	890	0	890	163	727	890	0
Markets	(128)	(122)	(250)	(254)	4	(250)	0
Public Conveniences	62	(15)	47	3	44	47	0
Sports Development	64	(2)	62	(209)	271	62	0
Stray Dogs	70	(1)	69	3	66	69	0
Street Scene	4,760	211	4,971	57	4,914	4,971	0
Stressholme Golf Course	52	(1)	51	(11)	62	51	0
Tourist Information	0	0	0	0	0	0	0
Transport Unit	(414)	(3)	(417)	290	(707)	(417)	0
Waste Management	3,352	(15)	3,337	281	3,056	3,337	0
Winter Maintenance	466	0	466	86	380	466	0
<b><u>Highways, Design &amp; Projects</u></b>							
Building Design Services	(67)	(1)	(68)	(10)	(58)	(68)	0
Capital Projects	103	0	103	23	80	103	0
Highways	3,881	(3)	3,878	21	3,857	3,878	0
Car Parking R&M	557	0	557	375	182	557	0
<b><u>Joint Levies &amp; Boards</u></b>							
Coroners	158	0	158	(178)	336	158	0
Environment Agency Levy	86	0	86	22	64	86	0
Contributions	347	0	347	0	347	347	0
<b><u>General Support Services</u></b>							
Property & Premises Support	123	(60)	63	(9)	72	63	0
Works Property & Other	119	(9)	110	0	110	110	0
<b><u>DLO Profits</u></b>	(930)	(358)	(1,288)	(32)	(1,256)	(1,288)	0
<b>In Year Over/(Under) Spend</b>	<b>19,206</b>	<b>(635)</b>	<b>18,571</b>	<b>(396)</b>	<b>19,599</b>	<b>19,203</b>	<b>632</b>
Brought forward from 2011/12	0	0	0			0	0
Virement	0		0			0	0
<b>Total Place</b>	<b>19,206</b>	<b>(635)</b>	<b>18,571</b>	<b>(396)</b>	<b>19,599</b>	<b>19,203</b>	<b>632</b>

**REVENUE BUDGET MANAGEMENT UPDATE 2012/13**

	<b>Budget</b>			<b>Expenditure</b>			<b>(Under)/ Over Spend £000</b>
	<b>Original Budget £000</b>	<b>Approved Adjustments £000</b>	<b>Approved Budget £000</b>	<b>Expenditure to May £000</b>	<b>Projection to March £000</b>	<b>Total Projection £000</b>	
<b><u>Resources</u></b>							
<b>Director of Resources</b>	223	(21)	202	43	159	202	0
<b><u>Assistant Director - Resources</u></b>							
Assistant Director - Resources	104	0	104	18	86	104	0
Information & Insight	230	0	230	48	182	230	0
Customer Services	382	0	382	73	309	382	0
Web Team	147	0	147	13	134	147	0
Legal	439	(16)	423	91	332	423	0
Democratic Services	2,046	(307)	1,739	299	1,460	1,759	20
Registrars	(13)	(2)	(15)	(110)	95	(15)	0
Secretarial Services	154	0	154	23	131	154	0
Communications	444	160	604	26	578	604	0
Town Hall	493	18	511	220	291	511	0
Complaints & FOI	146	0	146	27	119	146	0
<b><u>Assistant Director - Finance</u></b>							
Financial Services & Governance	1,536	(51)	1,485	110	1,464	1,574	89
D&S Partnership	2,139	(1)	2,138	(577)	2,715	2,138	0
<b><u>Assistant Director - ICT</u></b>	271	(39)	232	(48)	280	232	0
<b><u>Assistant Director - Transformation</u></b>							
Assistant Director - Transformation	105	0	105	4	101	105	0
Property Management & Estates	1,077	866	1,943	147	1,796	1,943	0
Procurement	169	(1)	168	22	146	168	0
Transformation	680	(6)	674	83	591	674	0
<b><u>Assistant Director - Human Resources</u></b>							
Human Resources	553	(2)	551	23	528	551	0
Health & Safety	122	(2)	120	19	101	120	0
Equal Pay	0	0	0	17	83	100	100
<b><i>In Year Over/(Under) Spend</i></b>	<b>11,447</b>	<b>596</b>	<b>12,043</b>	<b>571</b>		<b>12,252</b>	<b>209</b>
Brought forward from 2011/12		0	0			0	0
Virement		0	0			0	0
<b>Total Resources</b>	<b>11,447</b>	<b>596</b>	<b>12,043</b>	<b>571</b>		<b>12,252</b>	<b>209</b>

**BUDGET MANAGEMENT 2012/13**

<b>SCHOOLS PROJECTED BALANCES 2012/13</b>					
School Name	Opening Balance at 1st April 2012	Formula Budget Allocation	Total Available	Projected Closing Balance at 31st March 2013	Projected Closing Balance as proportion of Formula Budget Allocation
	£000	£000	£000	£000	%
<u>Primary</u>					
Borough Road Nursery	3	243	246	(17)	-7%
George Dent Nursery	53	381	434	36	9%
Skerne Park Primary	31	1,524	1,555	101	7%
Firthmoor Primary **	90	1,270	1,360	169	13%
Corporation Road Primary	151	1,389	1,540	59	4%
Dodmire School	0	2,048	2,048	11	1%
Mount Pleasant Primary	108	1,118	1,226	62	6%
Gurney Pease Primary **	69	828	897	117	14%
Northwood Primary	189	1,674	1,863	223	13%
Red Hall Primary	144	889	1,033	52	6%
Hurworth Primary **	17	788	805	16	2%
Heathfield Primary **	122	1,480	1,602	200	14%
Cockerton CE Primary	35	769	804	50	7%
High Coniscliffe CE Primary	3	487	490	4	1%
St. Johns CE Primary **	111	869	980	118	14%
Holy Family RC Primary	72	698	770	24	3%
St. Augustines RC Primary	36	705	741	30	4%
St. Teresas RC Primary	168	1,100	1,268	127	12%
St. Bedes RC Primary **	63	786	849	52	7%
Whinfield Primary	58	1,892	1,950	84	4%
Harrowgate Hill Primary	(3)	1,888	1,885	6	0%
Mowden Federation **	38	1,485	1,523	110	7%
<b>Primary Total</b>	<b>1,558</b>	<b>24,311</b>	<b>25,869</b>	<b>1,634</b>	

\*\* expected to convert to Academy status within 2012/13 financial year

**HOUSING REVENUE ACCOUNT 2012/13**

	Budget			Actual / Projections			(Under)/ Over Spend £000
	Original Budget £000	Approved Adjustments £000	Amended Approved Budget £000	Actual to May £000	Projection to March £000	Total Projection £000	
<b><u>Housing Revenue Account</u></b>							
<b><u>Income</u></b>							
Working Balance Brought Forward	(1,391)	0	(1,391)	(4,288)	0	(4,288)	(2,897)
Rents Of Dwellings (Gross)	(17,773)	0	(17,773)	0	(17,782)	(17,782)	(9)
Sundry Rents (Including Garages & Shops)	(377)	0	(377)	(50)	(328)	(378)	(1)
Charges For Services & Facilities	(2,171)	0	(2,171)	(210)	(1,961)	(2,171)	0
Contribution towards expenditure	(460)	0	(460)	(394)	(66)	(460)	0
Interest Receivable	(10)	0	(10)	0	(10)	(10)	0
<b>Total Income</b>	<b>(22,182)</b>	<b>0</b>	<b>(22,182)</b>	<b>(4,942)</b>	<b>(20,147)</b>	<b>(25,089)</b>	<b>(2,907)</b>
<b><u>Expenditure</u></b>							
Management	5,349	(15)	5,334	3,451	1,881	5,332	(2)
Maintenance	3,738	0	3,738	2,248	1,490	3,738	0
Capital Financing Costs	4,896	0	4,896	0	4,894	4,894	(2)
R.C.C.O.	5,550	0	5,550	0	7,200	7,200	1,650
Increase in Bad Debt Provision	150	0	150	0	150	150	0
Housing Subsidy Payable	0	0	0	0	0	0	0
Working Balance Carried Forward	2,499	14	2,513	(757)	4,532	3,775	1,262
<b>Total Expenditure</b>	<b>22,182</b>	<b>(1)</b>	<b>22,181</b>	<b>4,942</b>	<b>20,147</b>	<b>25,089</b>	<b>2,908</b>
<b>(Surplus)/Deficit</b>	<b>0</b>	<b>(1)</b>	<b>(1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>

SAVINGS MONITORING 2012/13																			
Department	Service	Saving	2012/13			2013/14			2014/15			2015/16			Summary			Status	Notes
			Planned Saving	Projected saving	Variance	Planned Saving	Projected saving	Variance	Planned Saving	Projected saving	Variance	Planned Saving	Projected saving	Variance	Total Identified Savings Over Life of 2012/16 MTFP	Total projected Savings Over Life of 2012/16 MTFP	Variance		
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Savings Proposals</b>																			
<b>How We Operate</b>																			
Council Wide	Council Wide	3 Year Pay Freeze	0		0	466		(466)	917		(917)	917		(917)	2,300	0	(2,300)		
Council Wide	Council Wide	3 Days Unpaid Leave	0		0	294		(294)	294		(294)	294		(294)	882	0	(882)		
Council Wide	Council Wide	Debt Repayment	0		0	0		0	320		(320)	320		(320)	640	0	(640)		
		Reduce support to involve young people in the production of the Children and Young Peoples Plan	15		(15)	15		(15)	15		(15)	15		(15)	60	0	(60)		
		Review of support and consultation with older adults	0		0	0		0	0		0	27		(27)	27	0	(27)		
		Fundamental review of Social Capital, Equalities Budgets	157		(157)	216		(216)	216		(216)	216		(216)	805	0	(805)		
		Review of Carers Service contracts	25		(25)	50		(50)	50		(50)	50		(50)	175	0	(175)		
		Cease rent support to DAD	3		(3)	7		(7)	13		(13)	26		(26)	49	0	(49)		
		Planning fees increase	50		(50)	100		(100)	100		(100)	100		(100)	350	0	(350)		
		Household Waste Recycling Centre	45		(45)	45		(45)	45		(45)	45		(45)	180	0	(180)		
Council Wide	Council Wide	Cancel terrorism insurance	16		(16)	16		(16)	16		(16)	16		(16)	64	0	(64)		
		Financial Protection service - charging	11		(11)	15		(15)	15		(15)	15		(15)	56	0	(56)		
<b>Total How We Operate Proposals</b>			<b>322</b>	<b>0</b>	<b>(322)</b>	<b>1,224</b>	<b>0</b>	<b>(1,224)</b>	<b>2,001</b>	<b>0</b>	<b>(2,001)</b>	<b>2,041</b>	<b>0</b>	<b>(2,041)</b>	<b>5,588</b>	<b>0</b>	<b>(5,588)</b>		
<b>What We Deliver</b>																			
		Welfare Rights	10		(10)	10		(10)	10		(10)	10		(10)	40	0	(40)		
	Transformation grant and Accrual release	Parish Council Grants	0		0	35		(35)	35		(35)	35		(35)	105	0	(105)		
		Withdraw LGA subscriptions	34		(34)	34		(34)	34		(34)	34		(34)	136	0	(136)		
		Reduction in Childrens' Centre funding	7		(7)	9		(9)	9		(9)	9		(9)	34	0	(34)		
		Stop Post 16 Free Transport	0		0	15		(15)	30		(30)	45		(45)	90	0	(90)		
		Review of transport of pupils to Greenfield and Woodham schools	0		0	7		(7)	14		(14)	21		(21)	42	0	(42)		
		Review of early years / childcare development service	25		(25)	30		(30)	30		(30)	30		(30)	115	0	(115)		
		Parenting Programmes	6		(6)	6		(6)	6		(6)	6		(6)	24	0	(24)		
		Reduction in services to 12-19 (Youth and Connexions service)	127		(127)	300		(300)	300		(300)	300		(300)	1,027	0	(1,027)		
		Secondary School Home to School Transport	0		0	78		(78)	157		(157)	236		(236)	471	0	(471)		
		Review of Adults Transport	30		(30)	40		(40)	50		(50)	50		(50)	170	0	(170)		
		Rationalise Business Engagement and Town Centre management team	125		(125)	155		(155)	155		(155)	155		(155)	590	0	(590)		
		Review of LA 21 Grant Funds	6		(6)	6		(6)	6		(6)	6		(6)	24	0	(24)		
		Shopmobility Funding	32		(32)	32		(32)	32		(32)	32		(32)	128	0	(128)		

	Review of Supported Bus Service	44		(44)	236		(236)	325		(325)	345		(345)	950	0	(950)		
	Review Parking Charges	60		(60)	101		(101)	112		(112)	112		(112)	385	0	(385)		
	Darlington Indoor Bowls Club funding	10		(10)	25		(25)	25		(25)	25		(25)	85	0	(85)		
	Cease funding of CCTV in outlying areas	23		(23)	46		(46)	46		(46)	46		(46)	161	0	(161)		
	Close East Row toilets	18		(18)	38		(38)	38		(38)	38		(38)	132	0	(132)		
	Close Dolphin Centre on Bank Holidays	20		(20)	20		(20)	20		(20)	20		(20)	80	0	(80)		
	Review of Library Service	29		(29)	29		(29)	29		(29)	29		(29)	116	0	(116)		
	Review of Events Team	65		(65)	100		(100)	100		(100)	100		(100)	365	0	(365)		
	Restructure of Cemeteries Team	23		(23)	23		(23)	23		(23)	23		(23)	92	0	(92)		
	Bowling Green maintenance	10		(10)	10		(10)	10		(10)	10		(10)	40	0	(40)		
	Review of Environmental Crime team	20		(20)	20		(20)	20		(20)	20		(20)	80	0	(80)		
	South Park budget reduction	30		(30)	30		(30)	30		(30)	30		(30)	120	0	(120)		
	Reduce floral displays across Borough	20		(20)	20		(20)	20		(20)	20		(20)	80	0	(80)		
	Cease verge hardening programme	25		(25)	25		(25)	25		(25)	25		(25)	100	0	(100)		
	Reduce highway and footpath maintenance budgets	20		(20)	20		(20)	20		(20)	20		(20)	80	0	(80)		
	Reduce Traffic Management regulation and maintenance budgets	5		(5)	5		(5)	5		(5)	5		(5)	20	0	(20)		
	Decommission Real Time variable message parking guidance	0		0	10		(10)	10		(10)	10		(10)	30	0	(30)		
	Reduce road safety ETP budget	5		(5)	5		(5)	5		(5)	5		(5)	20	0	(20)		
	Review of eligibility criteria policy for adult social care	0		0	126		(126)	250		(250)	250		(250)	626	0	(626)		
	<b>Total What We Deliver Proposals</b>	<b>829</b>	<b>0</b>	<b>(829)</b>	<b>1,646</b>	<b>0</b>	<b>(1,646)</b>	<b>1,981</b>	<b>0</b>	<b>(1,981)</b>	<b>2,102</b>	<b>0</b>	<b>(2,102)</b>	<b>6,558</b>	<b>0</b>	<b>(6,558)</b>		
		<b>1,151</b>	<b>0</b>	<b>(1,151)</b>	<b>2,870</b>	<b>0</b>	<b>(2,870)</b>	<b>3,982</b>	<b>0</b>	<b>(3,982)</b>	<b>4,143</b>	<b>0</b>	<b>(4,143)</b>	<b>12,146</b>	<b>0</b>	<b>(12,146)</b>		

-  Forecast to be below target
-  Forecast to be on target
-  Saving delivered



## EMPLOYEE TERMS AND CONDITIONS

1. As part of the 2012/13 budget process the Council entered negotiations with the workforce to implement a three year pay freeze and three days unpaid leave. At the time of agreeing the MTFP, Council were made aware that a collective agreement on the proposed changes to terms and conditions could not be reached and as a consequence the MTFP was revised to include a pay award in 2012/13 but not in the two subsequent years and the same approach was taken in terms of the three day unpaid leave e.g. the MTFP only includes the saving from 2013/14. To implement the changes contained within the MTFP would likely mean the dismissal and re-engagement of the workforce (excluding teachers) on amended terms and conditions, such an approach would not be taken lightly.
2. Subsequent to the agreement of the MTFP a pay freeze was implemented nationally for 2012/13, this being the third annual freeze for APT&C employees and the fourth for Chief Officers. Consequently the pay award provided for in 2012/13 is no longer required therefore saving circa £0.5m per annum.
3. Set out in the table below is the budget against actual position based on the assumption that future pay awards will be implemented as per estimated increases.

	2012/13 £m's	2013/14 £m's	2014/15 £m's
MTFP Planned Savings			
• Pay Freeze	-	0.466	0.917
• 3 Days Leave	-	0.294	0.294
Total		0.760	1.211
Savings achieved to date			
• Pay Freeze 2012/13	(0.500)	(0.500)	(0.500)
Budget Comparison	(0.500)	0.260	0.711
Cumulative Impact	(0.500)	(0.240)	0.471

4. The table above shows that taking no further action would mean that due to the pay freeze in 2012/13, the Council's cumulative position in relation to terms and conditions is a £240,000 surplus at 31 March 2014 however there would be an ongoing deficit from 2014/15. This means the Council has a "manageable" two year period and it is recommended that any decisions on how to take forward negotiations on employee terms and conditions be deferred until the outcome of the next phase of the Council's transformation is undertaken. Such an approach would enable the Council to balance the impact of changes in Employee Terms and Conditions with the impact on services of proposals made by Cabinet.

**EXPLANATION OF NEW LOCAL GOVERNMENT FINANCE SYSTEM**

**Information**

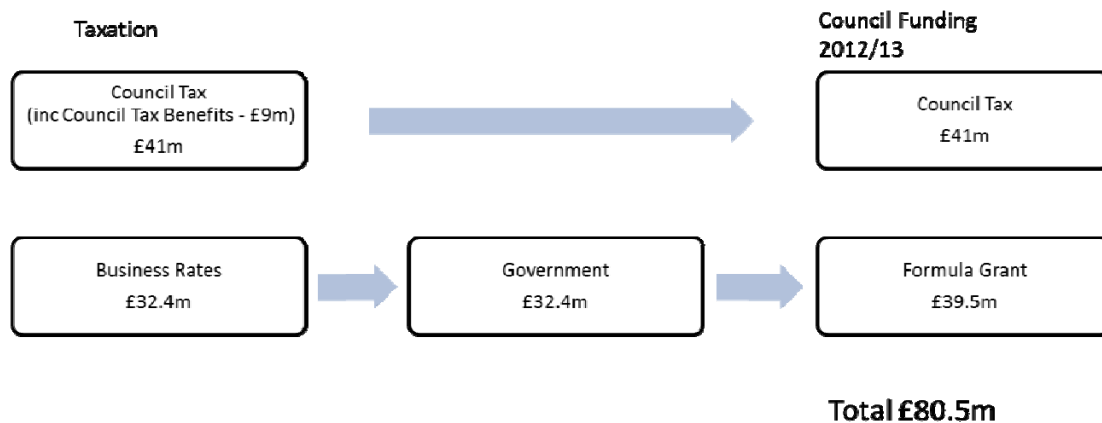
1. The information contained in this appendix represents officers interpretation of documents released by the Department of Communities and Local Government (DCLG) and subsequent discussion with officials, final confirmation of the exact detail is unlikely to be available until late 2012 however the detail contained in this appendix is expected to be reasonably accurate.

**Background**

2. The government commenced consultation on the Local Government Resources Review - Business Rates Retention in July 2011 and Cabinet on 4 October 2011 considered a report on the Council’s response which was ultimately incorporated in the Association of North East Councils (ANEC) response. Subsequently DCLG have responded to the consultation and in May 2012 released a number of detailed documents explaining how the new system will work although these documents are still subject to amendment and clarification and the exact impact on individual Councils will not be 100% clear until the Local Government Finance Settlement expected in December. It is the contents of these documents that have been used to prepare this appendix.

**Current Local Government Finance System**

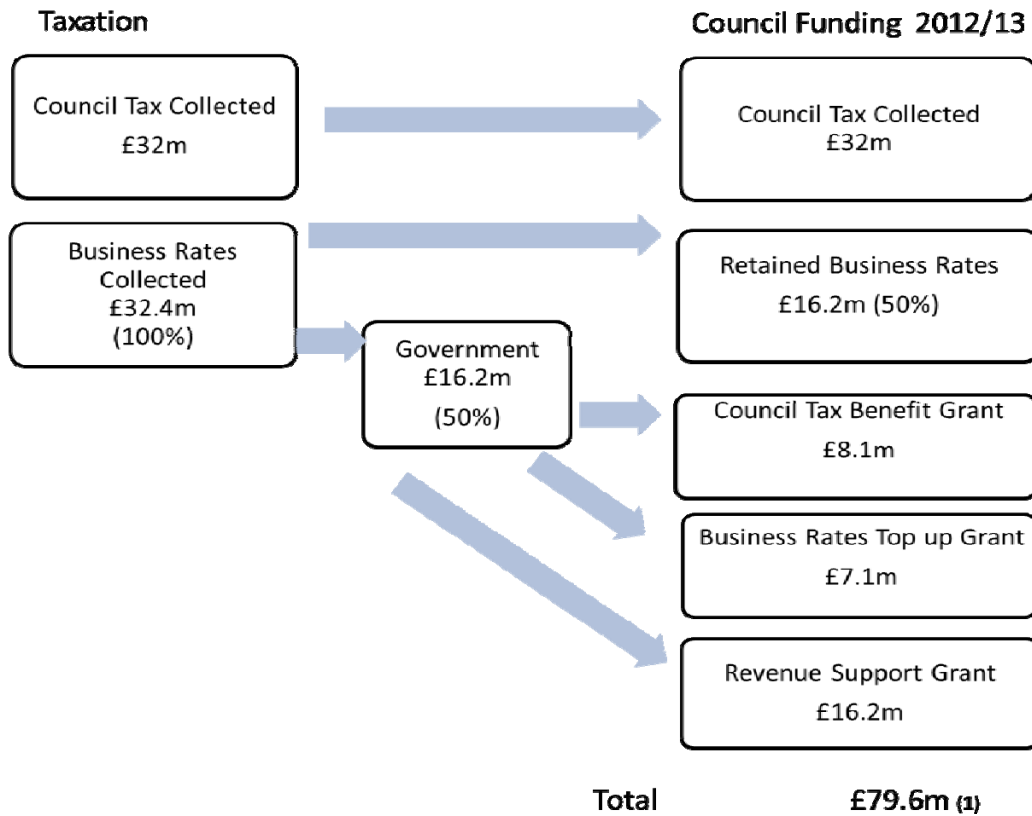
3. Set out below is a diagrammatic explanation of the current system together with a description of the key elements, this is followed by the same information for the new system.



## Key Elements

- Council tax set and collected locally
- Business Rates set nationally and collected locally
- Business Rates paid to the Government
- Formula Grant paid to Councils based on needs funded by Business Rates.
- Losses or growth in business rates wholly attributable to the Government
- The Government fully funds all Council Tax benefits.
- All increases in Council Tax covered by Council Tax benefits fully funded by the Government
- Formula Grant is reassessed each year
- Government grant will be reduced annually to reflect the Government's planned reductions for Local Government spending.

## New Local Government Finance System



(1) Funding has been reduced to reflect the 10% reduction in Council Tax benefit funding from 2013/14.

## Key Elements

- Council Tax set and collected locally
- Council Tax Benefit funded to 90% of 2012/13 level beyond that variations fall to the Council including increases in Council Tax levels.
- 50% of growth or losses on business rates attributable to the Council. A safety net system in place to protect against losses of greater than 10% of the estimated collectable business rates for 2013/14 e.g. the Council could lose £1.6m before the safety net is implemented.
- Revenue support grant will be reduced annually to reflect the Government's planned reductions in Local Government spending.
- The funding of individual Councils will not be reviewed annually, the earliest review will be 2020.

## Summary

4. The new system is designed to encourage Councils to stimulate growth by financially incentivising them by allowing them to retain 50% of all business rates growth between resets of the funding system. Initially the incentive was envisaged to be 100% however this has changed; it would appear for two reasons :-
  - The 50/50 split with Government ensures the government takes a share of growth and losses.
  - The 50/50 split enables government to maintain control over Local Government funding and reduce funding via revenue support grant which is only available as a result of the 50/50 split.
5. The Council moving forward in the new system has potential to increase its income due to increases in business rates but equally it carries a new risk of losing business rates of up to £1.6m without protection. Growth in business rates will however only be definitely available to Councils between resets of the system; it is not clear yet if any reset will passport through any business rates growth.
6. The relatively short period of retained growth will mean the following :-
  - (a) The Council cannot plan to receive growth on an ongoing basis therefore it will need to consider how it uses any additional funding e.g. length of commitment.
  - (b) The Council will need to ensure it has adequate financial reserves to cover potential losses in business rates. The loss of one significant business in the borough could cost the Council as much as £1m per year.
  - (c) If the Council wishes to invest upfront to gain new business in the Borough on the basis of increased business rates the payback period will be short e.g. seven years maximum in the initial phase of the new system.
7. Much debate during the development of the system was about radical changes that would set local government free of central control and put in place significant incentives for growth however the system that has emerged retains central government control and the level incentivisation 50% plus the relatively short reset period means financial incentives are less than they may have been.

8. On the other hand, there was fear from the Local Government side that there would be too much risk placed on Local Government due to the volatility of business rates and that long reset periods would mean that changes in local need such as increased population/deprivation/unemployment would not be reflected in Local Government funding until some considerable time after they have occurred putting additional pressure on Council budgets. As can be understood because of the competing nature of aims of a Local Government funding system it is fair to say that a compromise has been achieved.