

REPORT OF THE SERVICE DIRECTOR - FINANCE & PROCUREMENT DRAFT MANAGEMENT ACCOUNTS 2012/13

Purpose of the Report

- 1.1 To inform the Committee of the year end position for the 2012/13 management accounts
- 1.2 To request that the Committee:
 - a) Recommend the carry forward of £1.4m of underspends into 2013/14 for approval by County Council
 - b) Recommend the transfer to County Fund Balances of £12.4m, for approval by County Council
- 1.3 To inform the Committee of the position on other reserves of the authority
- 1.4 To inform the Committee on the year end position for the 2012/13 capital programme and its financing
- 1.5 To request approval of variations to the capital programme.

Information and Advice

2. Background

- 2.1 The financial position of the County Council has been monitored throughout the financial year, with monthly reports to Corporate Leadership Team and this Committee providing an update of progress, thus ensuring decision makers had access to financial information on a timely basis. At Finance and Property Committee 22 April 2013, Members were informed of the forecasts as at period 11. This report is the draft out-turn for 2012/13, the final figures will be confirmed at the County Council meeting on the 11th July.

3. Summary Financial Position

- 3.1 Through continued prudent financial management, Committee budgets have achieved a net underspend of £3.8m or 0.7% of net Committee budgets (corresponding figures for 2011/12 were £34m and 6.3%). Carry Forward requests totalling £1.4m have been submitted to support key areas as detailed in Appendix B (£1.7m in 2011/12).
- 3.2 The net total for restructuring costs is £2.9m of which £0.7m relates to restructuring within the Committees, £1.5m is a contribution to School's restructuring costs, and the remainder relates to trading services. In line with accounting practice, each year a provision is made for estimated costs that are due to fall in the following year based on published Section 188 notices. The figure for 2011/12 that was released into 2012/13 was £5.2m, the corresponding figure accounted for in 2012/13 is £1.3m.
- 3.3 The initial underspend has been apportioned between the Council's Redundancy reserve, Capital Projects reserve and General Fund Balances. This will ensure resources are earmarked to support the Capital programme, thereby reducing future borrowing costs, as well as providing further support for the County Council's requirement to deliver future savings.

- 3.4 The overall Schools Reserve has decreased by £6.2m to £33m. Within the total, school accumulated balances have decreased by £11m to £25m, of which £4.8m is to fund capital schemes (further information is provided in section 5 and 7.2).
- 3.5 The level of County Fund balances, subject to approval by County Council, will increase by £12.43m to £42.1m.
- 3.6 The relevant figures are summarised in Appendix A, showing details for Committee Budgets, Schools, Central items and Use of Reserves and Balances.
- 3.7 Table 1 shows the summary revenue position of the County Council.

Table 1 – Summary Financial Position

Committee	Final Budget £'000	Draft Out-turn £'000	Draft Variance £'000
Children & Young People	160,648	161,315	667
Adult Social Care & Health	195,009	194,948	(61)
Transport & Highways	61,193	60,635	(558)
Environment & Sustainability	27,596	26,975	(621)
Community Safety	4,163	4,088	(75)
Culture	14,382	13,892	(490)
Policy	26,929	25,805	(1,124)
Finance & Property	30,290	29,944	(346)
Personnel	4,697	3,579	(1,118)
Economic Development	898	799	(99)
Net Committee total before restructuring costs	525,805	521,980	(3,825)
Restructuring costs*	0	2,902	2,902
Schools Budgets	1,306	7,486	6,180
Central Items	(30,188)	(49,761)	(19,573)
Forecast prior to use of reserves	496,923	482,607	(14,316)
Carry Forwards from 2011/12	(1,689)	(1,689)	0
Proposed Carry Forwards to 2013/14	0	1,350	1,350
School Statutory Reserve	0	(6,178)	(6,178)
PFI Reserves:			
East Leake PFI	245	185	(60)
Bassetlaw PFI	274	4	(270)
Waste PFI	1,493	1,598	105
Improvement Programme	(8,130)	(6,547)	1,583
Pay Review Reserve	1,000	1,000	0
Earmarked Underspending reserve	3,100	3,100	0
Life Cycle Maintenance	500	500	0
DSO Capital Financing	517	503	(14)
Capital Projects Reserve	0	7,500	7,500
Redundancy Reserve	0	2,801	2,801
Transfer to / (from) reserves	(2,690)	4,127	6,817
Transfer to / (from) General Fund	4,930	12,430	7,500
Net County Council	499,163	499,163	0

*Restructuring costs actually incurred in year were £6.8m. A provision of £5.2m was set aside in 2011/12 to meet this cost. A similar provision has been set aside from 2012/13 to cover the costs of existing Section 188 redundancy notices that will fall in 2013/14. This totals £1.3m.

4. Committee & Central Items

The overall net underspend within the Committees is £3.8m, which is 0.7% of the net Committee budgets. The principal reasons for the variations are detailed below.

4.1 Children & Young People (£0.7m overspend, 0.4% of Committee budget)

There is a net overspend of £3.6m in Children's Social Care, consisting of the following:

- £1.5m on external placements for Looked After Children
- £1.5m on staffing in social work teams and the Safeguarding and Independent Review Service, due to the need to use agency staff to cover vacancies
- £0.7m on legal fees
- Net underspend of £0.1m across all other areas of the division

This is offset by an underspend in Youth Families & Culture of £1.5m, the net result of:

- £2.6m underspend due to savings around the new commissioning arrangements for the Early Years and Early Intervention Service
- £0.2m overspend on Young People's Service due to the refurbishment of youth centres
- £0.6m overspend relating to the non-achievement of business case savings & under provision in staffing budgets, all of which have been addressed for 2013-14 as part of the Base Budget Review
- Net overspend of £0.3m across all other areas of the division

There is also an underspend within Education Standards & Inclusion on the preferred travel scheme.

4.2 Adult Social Care and Health (£0.1m underspend, 0.03% of Committee budget)

- The Corporate Director Division is reporting an underspend of £0.05m due to several small underspends.
- The Promoting Independence Division is reporting an underspend of £0.7m due to an underspend on Intermediate Care as a result of paying on spot usage rather than having the running costs of the homes.
- The Joint Commissioning Division is reporting an overspend of £2.2m. This is comprised of a shortfall of £3.2m in Client Contribution Income compared to this year's budget, a £0.7m overspend on Supported Employment and a £0.1m overspend on the ICES Pooled Budget. These overspends are partially offset by a £0.7m underspend on Business Support and a £1.1m underspend on Commissioning.
- The Younger Adults Division is reporting an underspend of £0.3m. This is primarily due to underspends within the Service Director's budget, within Day Services, and Learning Disability Residential Units. These underspends are offset by a shortfall on Continuing Health Care income and overspends in Learning Disability, Mental Health and Physical Disability.
- The Older Adults Division is reporting an underspend of £1.3m. This is primarily due to an underspend of £0.5m on the Refurbishment of the Care and Support Centres and an underspend of £1.0m on the Service Directors development budget, offset by overspends elsewhere.

Earmarked Reserves

The budget contained a planned net use of £7.9m of earmarked reserves to fund specific projects and posts within the department. There has been some delay and slippage with these projects and posts, so the actual net use of these reserves is £4.7m.

In addition the County Council received additional income of £11.6m from Health partners in the form of Section 256 agreements for specific purposes. This has been transferred into earmarked reserves, resulting in an overall net addition of £6.9m into earmarked reserves.

4.3 Transport & Highways (£0.6m underspend, 0.9% of Committee budget)

- There is an under-spend within Highways caused by vacancy savings in relation to posts in the Highways Division, together with additional Section 38 income towards the cost of inspecting new developments and Traffic and Parking Schemes – (together amounting to an under-spend of £2.2m). This has been offset by additional costs on winter service of £0.9m due to the exceptional weather conditions requiring additional salt use and out of hours delivery of service. Additional costs have also been incurred on Road Lighting energy and works of £0.6m due to higher tariff costs being incurred; along with additional expenditure on verges and hedges £0.2m including the A57 project; repairs following accidents and vandalism £0.5m.
- Within Transport & Travel Services savings on Concessionary Travel of £0.2m were delivered due to scheme running costs and reduced payments to Transport Operators; along with lower than anticipated expenditure on Service Development £0.2m. This offset additional bus service costs of £0.2m due to re-tendering services when Premiere Travel went into administration; putting on some additional services which used to be commercial, and lower than forecast ERDF income. There was also an additional cost of £0.1m due to the re-location of the Fleet from Riverside Way to Abbey Road depot in November 2012.
- Further savings were achieved in Business Support of £0.2m due to reduced staffing costs caused by vacant posts.

4.4 Environment and Sustainability (£0.6m underspend, 2.3% of Committee budget)

- Within Waste Management & Energy above budgeted costs on Composting Services through HWRC of £0.1m were incurred; and direct delivery to Landfill of £0.1m partly due to the processing of an additional 8,000 tonnes of waste through the PFI Contract due to the temporary closure of the Eastcroft Incinerator resulting in savings of £0.1m in the Eastcroft Gate Fee.
- The Eastcroft capital works charge was £0.2m lower than anticipated as the value of capital expenditure actually carried out was below that which was forecast due to timing issues.

4.5 Community Safety (£0.1m underspend, 1.8% of Committee budget)

- Coroners & Emergency Planning Division is reporting an underspend of £0.09m due to an over accrual last year.
- Registrars Division is reporting an overspend of £0.16m due to an overspend on employee costs.

- Trading Standards Division is reporting an underspend of £0.11m primarily due to the correct accounting treatment of the Buy with Confidence income and other additional income received.

4.6 Culture (£0.5m underspend, 3.4% of Committee budget)

Youth Families & Culture underspend of £0.5m, consisting of:

- £0.8m underspend in the Sports & Arts service, of which £0.7m is Olympic Legacy funding for which a carryforward has been requested
- £0.2m overspend on Country Parks, largely due to loss of income & emergency repairs caused by bad weather
- £0.1m overspend on ICT equipment in the Library Service

4.7 Policy (£1.1m underspend, 4.2% of Committee budget)

- An overspend of £0.8m occurred in the Business Support Centre due to the additional cost of BMS support. This has been addressed for 2013/14 in the Base Budget Review.
- Communications & Marketing delivered underspends of £0.2m due to higher than expected income in March and savings on Publications.
- Within the Customer Services Centre an overspend of £0.1m was incurred due to the CSC taking on additional services in 2012/13. This has been addressed for 2013/14 in the Base Budget Review.
- Democratic Services achieved savings of £0.1m on County Hospitality and Member Development.
- The Improvement Programme underspent by £1.6m due to delays in the Ways of Working programme.

4.8 Finance and Property (£0.3m overspend, 1.1% of Committee budget)

- An overspend of £0.5m occurred in IT Services due to the acceleration of the equipment replacement programme. The additional expenditure has been funded from the equipment replacement reserve.
- Staff savings in Finance & Procurement resulted in an underspend of £0.4m.

4.9 Personnel (£1.1m underspend, 23.8% of Committee budget)

- The underspend is due to savings within Corporate HR on training costs in the Workforce and Organisational Development budget and vacancies held within the HR service to ensure early delivery of the savings for 2013/14.

4.10 Economic Development (£0.1m underspend, 11% of Committee budget)

- The main under-spend of £84k related to the balance of funding on Rural Broadband which will be carried forward to 2013/14 to complete the project and match expected levels of expenditure.

4.12 Carry Forwards

The Council has a carry forward protocol which enables planned savings to be carried forward into the following financial year to support Committee priorities. This approach encourages rigorous financial management and budgetary control whilst at the same time providing a degree of flexibility for budget managers.

In accordance with this protocol, carry forwards of £1.4m have been requested to support priority areas within Committee budgets in 2013/14. The details are set out in Appendix B.

5 Schools Budgets (£6.2m deficit)

5.1 Schools have transferred a net £6.2m from the accumulated balances within the Schools Statutory Reserve. This is broken down as follows:

- £11m from Schools balances
- £4.4m into the Non-Individual Schools Budget (ISB) balances
- £0.4m in repayment of loans

6 Central Items (£19.6m underspend)

Central Items primarily consists of interest and payments on cash balances and borrowing, together with various grants and contingency. Key variances are outlined below.

6.1 Contingency (£18.8m underspend)

The 2012/13 contingency budget was originally set at £16.5m, as summarised in the table below:

Table 2 – Contingency Summary

Budget adjustment	£'000	£'000
Redundancy Contingency	10,000	
General Contingency	4,893	
Non-delivery of savings	1,572	
Original Budget		16,465
Net Departmental Transfers	5,250	
Total Budget		21,715
Approved requests required in year	(2,900)	
Contingency Underspend		18,815

Requests of £2.96m received approval through the budget monitoring report, of which £2.9m was required in 2012/13 and £0.06m is subject to a carry forward request. A full list of individual schemes is included at Appendix C.

6.2 Interest (£4.5m underspend)

The underspend is partly due to a net reduction in interest payable as a result of delays in the phasing of the capital programme, which has reduced the need to undertake additional borrowing in the current year.

In addition, close monitoring of interest rates throughout the year has ensured borrowing was undertaken at optimum points of interest rate fluctuations. Similarly, careful management of the Council's cashflow, has ensured that the Council has achieved an investment rate of 1.19%. This is above the benchmark 7 day rate of 0.3%.

6.3 Statutory Provision for Debt Redemption (£1.4m overspend)

The budget included an estimate of the Minimum Revenue Provision (MRP) that was based on the assumption that the mix of assets types on which capital expenditure would be incurred would be similar to that of previous years. This was not the case and as a result MRP was £1.4m more than had been forecast.

6.4 Government grants (£0.7m overspend)

The variance is due to minor changes across several smaller grants compared to assumptions made at budget setting, ahead of final confirmation.

6.5 Net Other (£1.6m overspend)

The remaining overspend relates to additional costs of ongoing pension enhancements of £0.4m, central write offs £0.3m and the funding of a new reserve to cover the costs of Ash Tree Disease as outlined in the Departmental Reserves section below.

7 Movements on Balances and Reserves (for detail please refer to Appendix D)

7.1 County Fund Balances

Subject to Council approval, County Fund Balances will increase by £12.43m, which represents the planned contribution of £4.93m plus a further £7.5m due to the net underspends set out above. This takes the closing balance to £42.118m.

7.2 Schools Reserve

The Schools Reserve has reduced by £6.2m, which brings the balance at the end of 2012/13 to £33m, analysed in Table 3 below.

Table 3 – Schools Statutory Reserve

Description	Balance £'000
Accumulated schools balances (held by Governors)	25,047
Adjustments:	
Non-Individual Schools Budget Balances	8,795
Internal borrowing against the Reserve (school loans scheme – repayable by schools)	(869)
Schools Statutory Reserve	<u>32,973</u>

The movement in school balances by sector is shown in Table 4.

Table 4 – School Balances by Sector

Sector	01/04/12 £'000	Movement £'000	31/03/13 £'000
Nursery	238	(238)	-
Primary	24,814	(4,841)	19,973
Secondary	8,978	(5,819)	3,159
Special	2,046	(131)	1,915
Total	36,076	(11,029)	25,047

The number of primary and secondary schools with budget deficits has decreased, largely due to some becoming Academies. The total amount owed by schools in deficit is £0.129m and recovery plans have been put in place to address these deficits. Where schools have surpluses above a level regarded acceptable for contingency purposes (5%

for secondary schools and 8% for all other schools) these are also monitored and challenged.

7.3 Other Earmarked Reserves

At the end of 2012/13 the total of other 'earmarked' reserves stood at £148.2m, which consists of the following:

- **PFI Reserves**

£32.2m of reserves are held for PFI schemes, this equates to 21.7% of other earmarked reserves. The arrangements for calculating PFI grant result in more grant being received in the early years of a PFI scheme than is needed to meet the payments to providers of the service. These surpluses need to be kept in an earmarked reserve to cover the corresponding deficits in later years. The amounts set aside at the end of 2012/13 are shown in Table 5 below.

Table 5 – PFI set aside as at 31/03/2013

PFI Scheme	£'000
East Leake Schools	2,983
Bassetlaw Schools	860
Waste	28,337
Total	32,180

- **Insurance Reserve**

The Authority operates a self-insurance scheme and covers risks up to an agreed amount. External insurers cover risks in excess of this figure. The Insurance Reserve is set aside to cover possible insurance claims losses that are not yet known about.

Following an assessment of the amount required in this reserve, £2.3m has been transferred, giving a balance of £10.4m as at the 31 March 2013.

- **Capital Projects Reserve**

The Capital Projects Reserve has been built up to support future capital commitments, thereby reducing reliance on borrowing and the associated repayment costs. As identified in Table 1 above, contributions from in year revenue underspends of £7.5m have been made. This is in line with the proposals contained in the Council's Budget report (28/02/2013). As at the 31 March 2013, the balance on the Capital Projects Reserve is £30.1m.

- **Improvement Programme**

When it was initially approved, the Improvement Programme had a revenue allocation of £21.3m over the five years between 2009/10 and 2013/14. Since then additional funding has been set aside for one off schemes, primarily Ways of Working, and the spending profile of the Programme has been extended to 2015. Permanent funding of £0.5m was approved as part of the Budget Process (Council 28/02/2013).

Expenditure to date has totalled £18.3m with an underspend against budget of £1.6m in 2012/13. For this reason, there was a reduction in the use of the Improvement Programme reserve, as this has been slipped to 2013/14. The budget monitoring report elsewhere on this agenda seeks approval to realign the use of the reserve over the next two years, in

line with expenditure projections. The closing balance on the reserve for 2012/13 is therefore £11.4m, and is predicted to be £5.2m at the end of 2013/14.

- **Life Cycle Maintenance**

The Life Cycle Maintenance Reserve was established to spread the cost of maintaining new buildings. An annual contribution is usually made to the reserve in the earlier years which will be gradually offset by increasing maintenance costs as the new buildings become older. A contribution of £0.5m was provided for in the 2012/13 budget which takes the total in the reserve to £4.2m at the end of 2012/13. Due to the Council's savings requirement, a contribution has not been included in the 2013/14 budget but contributions are intended to resume from 2014/15 onwards.

- **Trading Activities**

The principal purpose of the Trading Activities Reserve is to accumulate funds for asset replacement, and after contributions to, and uses of the reserve during 2012/13, there was £3.5m in this reserve at the year end.

- **Redundancy Reserve**

A Redundancy Reserve of £3.1m was created in 2009/10. In addition a redundancy contingency was provided in each budget to help meet the costs of restructuring. Prudent financial management has ensured that the reserve has not yet been required although future years contingency allocation has reduced. A contribution from the current years underspend of £2.8m is proposed to help meet restructuring costs for future years. Subject to approval, the closing balance of this reserve for 2012/13 will be £5.9m.

- **Pay Review Reserve**

In line with the planned budget, a contribution of £1m to the Pay Review Reserve has been made. The remaining reserve is earmarked for the future costs of the job evaluation team and any additional costs associated with the Pay Review for Schools. Future review may allow for part of this balance to be released to general fund balances if it is no longer required.

- **Departmental Reserves**

All departments have reserves for identified purposes. In addition, Financial Reporting Standards require grant income to be carried on the Balance Sheet until the conditions of the grant have been satisfied. During the year, these departmental balances increased by a net £7.3m to £39.2m. This is primarily due to funding from the NHS relating to Section 256 funding and the transfer of Public Health.

Following the "Implications of the Ash Tree Disease" report to Transport & Highways Committee (21/03/2013) approval is sought to create a new reserve. This will ensure resources are earmarked to enable the potential effects to be managed in a measured and holistic manner. Although there are a number of unknown factors over an uncertain timescale, current estimates suggest £500,000 will be required. This figure has been included in Table 1 above and Appendix A and D.

8 Capital Expenditure

- 8.1** Capital Expenditure in 2012/13 totalled £104.941m. Table 6 shows the final 2012/13 Capital Programme broken down by Committee.

Table 6 – 2012/13 Capital Expenditure

Committee	Original Budget £'000	Revised Budget £'000	Total Out-turn £'000	Variance £'000
Children & Young People's Services	41,268	39,854	33,389	(6,465)
Adult Social Care & Health	5,341	4,418	3,952	(466)
Transport & Highways	37,240	38,602	38,939	337
Environment & Sustainability	4,920	5,171	4,779	(392)
Culture	7,457	5,147	4,303	(844)
Policy	6,370	8,902	6,511	(2,391)
Finance & Property	9,206	18,080	12,951	(5,129)
Community Safety	0	3	11	8
Personnel & Performance	520	88	106	18
Contingency	6,000	0	0	0
Total	118,322	120,265	104,941	(15,324)

Note: These figures exclude any expenditure from the Schools Devolved Formula Capital Grant of £2.1m and schools' capital expenditure of £6.4m funded from their own revenue budgets.

- 8.2** Appendix E gives a more detailed breakdown of capital expenditure in 2012/13. Some major areas of investment in 2012/13 are listed in Table 7 below.

Table 7 – Major investment areas 2012/13

Committee	Scheme	2012/13 Capital Expenditure £'000
CYPS	School Capital Refurbishment Programme	22,676
	School Basic Need Programme	2,708
	Special Schools Programme	3,800
	Chuter Ede Primary	1,282
	School Access Initiative	752
ASCH	Day Services Modernisation	2,527
	Bassetlaw Specialist Day Centre	1,425
Transport & Highways	Road Maintenance & Renewals	15,311
	Local Transport Plan	8,402
	Mansfield Public Transport Interchange	6,034
	Street Lighting Renewal	2,411
	Transport and Travel Services	2,037
Environment & Sustainability	Local Improvement Schemes	3,861
Culture	West Bridgford Library	4,014
Committee	Scheme	2012/13 Capital Expenditure £'000
Policy	Ways of Working Programme	6,454
Finance & Property	Building Works	5,817
	Various IT Capital Projects	2,380
	Business Management System	1,522

Capital Programme Variations

- 8.3** The changes in the gross Capital Programme for 2012/13, since its approval at Council (28/02/12) are summarised in Table 8 below.

Table 8 2011/12 Capital Programme

	2012/13	
	£'000	£'000
Approved per Council (Budget Book 2012/13)		118,622
Incorporated in Budget report (Council 28/02/13)		
Net slippage from 2011/12 and financing adjustments	13,635	
Approved variations to February Council	4,601	
Re-phasing/slippage from 2012/13 to future years	(16,593)	
Subsequent to Budget Report (Council 28/02/13)		
Variations requiring F&P committee approval (see below)	(2,662)	
Net re-phasing/slippage from 2012/13 to future years	(12,662)	
		(13,681)
Final revised gross Capital Programme		<u>104,941</u>

- 8.4** The following variations to the Capital Programme require approval by Finance & Property Committee.

- It is proposed that the 2012/13 Capital Programme for Transport & Highways is varied to reflect that:-
 - £1.320m less external funding than forecast was received for Transport and Highways schemes.
 - Additional works at both the Highways Depot Rationalisation Programme (£0.378m) and the Gamston Depot Salt Barn (£0.078m) have been funded from capital allocations that were originally approved against the Termination of MOPs project.
 - The completion of the Rights of Way scheme has been completed at a cost of £0.002m less than budget.
- It is proposed that the 2012/13 Capital Programme for Environment and Sustainability is varied to reflect that:-
 - revenue funding required to fund expenditure on the Eastcroft Incinerator was £0.238m less than estimated.

- £0.100m less external funding than forecast was received for Environment and Highways scheme.
- It is proposed that the 2012/13 Capital Programme for Adult Social Care and Health is varied down to reflect underspends following the completion of the Sheltered Employment programme (£0.087m) and the Social Care Transformation Programme (£0.015m)
- It is proposed that the 2012/13 Capital Programme for Finance and Property Committee is varied down to reflect that the £900k grant to Nottinghamshire County Cricket Club has been treated as revenue in nature.
- It is proposed that the 2013/14 Capital Programme for Finance and Property Committee is varied to include additional borrowing of £650k which will be used to fund an extension to the County Council's Microsoft Enterprise Agreement.
- It is proposed that the 2013/14 Capital Programme for Culture Committee is varied to reflect that:-
 - In conjunction with planned maintenance funding already approved, revenue underspends totalling £0.090m in the Young People's Service are used in 2013/14 to fund a refurbishment project at Balderton Young Peoples Centre.
 - Revenue underspends totalling £0.075m in the Young People's Service are used in 2013/14 to fund a refurbishment project at Bingham Young People's Centre.
- It is proposed that the 2013/14 Capital Programme for Children and Young People's Committee is varied down to reflect that:-
 - The confirmed School Basic Need Grant is £0.260m lower than the estimate that was included in the Budget Report and approved by County Council on 28th February 2013.
- The confirmed School Capital Maintenance Grant is £1.988m lower than the estimate that was included in the Budget Report and approved by County Council on 28th February 2013.

8.5 Maximising the use of grants in 2012/13

Sometimes when there is slippage on a scheme funded by grant, rather than slipping the grant funding for use in the next year, it is possible to use the grant to finance the expenditure on a different scheme in the current year. This does not affect the total expenditure on individual schemes, nor their phasing, but delays the use of prudential borrowing and the consequent impact on the revenue budget of having to set aside a minimum revenue provision (MRP).

Grant funding unapplied totalling £3.2m has been used to fund capital expenditure on the School Capital Refurbishment Programme in 2012/13 that would otherwise have been funded from borrowing.

Slippage/re-phasing of Capital Schemes

- 8.6** In addition to the slippage and re-phasing of schemes incorporated into the Budget Report 2013/14 there has been £12.7m of further net slippage/re-phasing on a number of schemes, of which £10.4m relates to schemes funded by capital allocations (borrowing). The main areas of this further slippage/re-phasing are:

Slippage

- Schools Capital Refurbishment Programme (£3.0m slippage)
- Ways of Working Programme (£1.5m)
- Business Management System (£1.5m)

Acceleration

Acceleration of £2.6m in the Roads Maintenance Programme / Local transport Plan has followed the planned over-programming of schemes.

Capital Financing

- 8.7** The following Table outlines how the 2012/13 capital expenditure has been financed.

Table 9 - 2012/13 Capital Financing

	Original Budget £'000	Revised Budget £'000	Total Out- turn £'000	Variance £'000
Funding Source:				
Prudential Borrowing	64,149	67,298	53,684	(13,614)
Capital Grants	50,102	46,162	46,126	(36)
Revenue/Reserves	4,371	6,805	5,131	(1,674)
Gross Capital Programme	118,622	120,265	104,941	(15,324)

- 8.8** Capital receipts for 2012/13 totalled £2.8m, which is close to the £3.6m anticipated in the 2013/14 budget report. These capital receipts have been set against the principal of borrowing in previous years. Analysis has determined that this application of funding sources is optimum in terms of reducing the impact of the Capital Programme on the revenue account.
- 8.9** Total borrowing for the year is £53.7m, which is £10.4m less than the original planned borrowing for 2012/13 of £64.1m. This is primarily as a result of the slippage/re-phasing of capital expenditure to be funded from prudential borrowing. The corresponding funding (capital allocations) will be carried forward and incorporated into the Capital Programme for 2013/14.
- 8.10** The Capital Programme for 2013/14 will be monitored to ensure that borrowing for 2013/14 is managed within the prudential limits for the year. Funding by borrowing in 2013/14 is now projected to be £83.5m. Although this is £11.1m more than the budgeted borrowing figure in the Budget Report 2013/14, any new capital expenditure slippage in 2013/14 will offset this and the Council's overall level of indebtedness is not expected to exceed previous forecasts. The size of the revised Capital Programme for 2013/14 is £145.4m.

9 Statement of Accounts

- 9.1 The pre-audited Statement of Accounts will be certified by the S151 Officer before 30th June to meet the statutory requirements, and then be presented to the County Council on 11th July. The external audit will take place over the summer months and therefore figures are provisional, pending the completion of the audit.

Statutory and Policy Implications

- 10.1 This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

- 11.1 To note the 2012/13 year end revenue position.
- 11.2 To recommend the year-end carry forwards set out in section 4.12 and Appendix B to County Council.
- 11.3 To recommend the level of County Fund Balances set out in section 7.1 and Appendix D to County Council.
- 11.4 To recommend the contributions to Capital Projects Reserve and Redundancy Reserve set out in section 7.3 and Appendix D to County Council.
- 11.5 To note the movements in reserves as detailed in section 7 and Appendix D.
- 11.6 To approve the capital variations outlined in section 8.4.
- 11.7 To note the capital programme and its financing.

Paul Simpson

Service Director – Finance & Procurement

For any enquiries about this report please contact:

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Glen Bicknell - Senior Finance Business Partner, Capital & External Funding

Constitutional Comments (KK 05/06/2013)

The proposals in this report are within the remit of the Finance and Property Committee.

Financial Comments (PM 23/05/2013)

The financial implications are set out in the report.

Background Papers

None

Electoral Division(s) and Member(s) Affected

All