

meeting **COUNTY COUNCIL**

date **30th June 2011**

agenda item number **15**

REPORT OF THE CABINET MEMBER FOR FINANCE AND PROPERTY MANAGEMENT ACCOUNTS 2010/11

1. Purpose of the Report

- 1.1 To inform the County Council of the 2010/11 year end position for the management accounts of the Authority and:
 - a) Approve the carry forward of underspendings into 2011/12.
 - b) Approve the transfer to County Fund Balances
- 1.2 To inform County Council of the position on other reserves of the Authority.

2. Summary

- 2.1 Portfolio budgets have a net underspending of £20.4 million or 3.8% of net portfolio budgets
- 2.2 All portfolios except for Environment and Sustainability underspent.
- 2.3 Since the 2010/11 Budget Report, additional carry forwards of £39,000 have been proposed.
- 2.4 The overall Schools Reserve has fallen by £6.3 million to £31.8 million. Within this total school accumulated balances have fallen by £1.0 million to £22.3 million (see paragraph 6.2).
- 2.5 The level of County Fund balances has increased by £3.3 million to £28.1 million.
- 2.6 The underspendings in the portfolios have been used to fund restructuring costs amounting to £20.2 million.
- 2.7 £4.3 million of un-required departmental and trading reserves have been used in 2010/11.
- 2.8 The relevant figures are summarised in Appendix A, showing details for Portfolio Budgets, Schools, Central items and Use of Reserves and Balances.

3. Portfolio Budgets

- 3.1 The overall net underspending is £20.4 million, which is 3.8% of the net portfolio budgets. This is £12.6 million more than was forecast last February and is a result of the strict management controls on non-essential expenditure and the freeze on vacancies imposed mid-way through the 2010/11 financial year, as well as accelerating the planned 2011/12 savings. Strict management controls are to be maintained throughout the new financial year.
- 3.2 The overall position after contributions to reserves, including the proposals for budget carry forwards is summarised in the following table:

	Final Budget £000	Under- spending £000	Proposed Carry Forwards £000
Children and Young People	146,002	(2,758)	-
Adult Social Care and Health	226,831	(9,433)	-
Transport and Highways	59,545	(2,190)	-
Environment and Sustainability	23,641	-	-
Community Safety	7,243	(1,485)	-
Culture and Community	20,366	(745)	-
Leader	6,185	(161)	-
Deputy Leader	8,147	(621)	-
Finance and Property	33,448	(2,979)	39
Personnel and Performance	3,736	(8)	
	535,144	(20,380)	39
Less: Restructuring Costs		20,220	
	535,144	(160)	39

- 3.3 Detailed reports on the under and overspendings are being provided to the Cabinet Members. The principal reasons for the variations before restructuring costs are:

Children & Young People

- The increased costs associated with the unprecedented increase in the number and complexity of Looked After Children cases have been mitigated by the application of a range of measures, including rigorously applying spending constraints, utilising departmental reserves and offsetting more expenditure against the centrally retained Schools (Non-ISB) Budget. A scheme of budget management which aims to improve financial management has been rolled out to budget managers across the Children's Social Care Division and the wider CFCS Department. Also, a financial model that seeks to establish an

effective means of forecasting the costs associated with external placements has been developed and is now being used to inform monthly budget monitoring.

Adult Social Care and Health

- The Learning Disability – Community Care budget underspent by £3.6 million. This has resulted from the careful management of new and increased care packages and through procuring existing care packages more cost-effectively.
- The County Council received an additional £2.4 million of NHS funding (announced on the 4th January 2011) to provide NHS support to social care. The Council fully utilised this funding and, as a result, delivered an underspend against County Council resources.
- The income from Residential Care and Homecare service users was £2.1 million greater than the Final Budget. This is due to a combination of increased contributions from people in residential and nursing care and changes in the maximum charges for homecare. The increase in these contributions was underestimated at the time the budgets were prepared.
- The Strategic Services Division was £1.9 million underspent due to in year spending controls and a freeze on staff vacancies.

Transport & Highways

- Various in year savings amounting to £3.0 million and additional savings of £0.8 million from vacant posts in Highways and a reduction in routine maintenance have been achieved.
- Additional Winter Maintenance costs of £1.6 million due to the additional gritting and salting of roads required by the bad weather experienced have reduced the level of underspend.

Community Safety

- The underspend is due to in year spending controls and a freeze on staff vacancies

Culture and Community

- The underspend is due to in year spending controls and staff savings from vacancies being accelerated from 2011/12.

Leader

- Reduced expenditure on Members' allowances.

Deputy Leader

- The underspend is due to in year spending controls and a freeze on staff vacancies.

Finance and Property

- IT Services underspent by £1.3 million due to reduced equipment replacement and early implementation of 2011/12 staff restructuring.
- Building maintenance underspent by £1.3 million against targeted in year savings of £1.2 million.

- Corporate Property underspent by £0.7 million due to reduced Energy and Water consumption and early implementation of 2011/12 staff restructuring.
- Design and Print overspent by £0.5 million due to expenditure restrictions, resulting in savings in other portfolios.

Personnel and Performance

- Savings have been achieved in HR by accelerating the 2011/12 staff savings from vacancies.
 - This has been offset by an overspend in the Employee Services Centre due to additional costs of scanning employee records.
- 3.4 Budget underspendings create a resource that can be used towards achieving corporate objectives, whilst still allowing some flexibility for Cabinet Members and Corporate Directors to manage their budgets to deal with changed circumstances.
- 3.5 In 2010/11 additional underspendings have been used to fund the cost of restructuring in the current year and also the restructuring provision for 2011/12.
- 3.6 Since the February report for the 2010/11 Budget an additional carry forward of £39,000 for Finance and Property Portfolio has been requested. The details are set out in Appendix B.

4. Schools Budgets (£6.3 million overspend)

- 4.1 Schools are using £6.3 million of their accumulated balances within the schools statutory reserve, broken down by:
- £4.0 million from the Non ISB balances.
 - £1.0 million from Schools balances.
 - £0.7 million from Standards Fund balances.
 - £0.6 million in additional loans.

5. Central Items.

5.1 General contingency (£3.8 million underspend)

The Revised Budget included a contingency of £5.8 million. The allocations, as set out in Appendix C, are £3.8 million less than this, primarily as a result of restructuring payments being covered by in year underspends.

The underspend assumes the £2.0 million allocated to cover part of the Schools NJE Provision shown at Appendix C is approved.

5.2 DSO Pension and NJE Costs (£0.96 million underspend)

The underspend is due to the early implementation of the service improvement programme for Cleaning, Catering and Landscape services in order to recover NJE costs. These savings were achieved by the adoption of cost reduction strategies, marketing initiatives to increase the take up of school meals, the renegotiation of prices and the re engineering of services to maximise customer retention.

5.3 Life Cycle Maintenance (£1.0 million overspend)

The annual contribution to the reserve was reinstated.

5.4 Statutory Provision for Debt Redemption (£0.1 million underspend)

The budget included an estimate of the impact on the Minimum Repayment Provision (MRP) of applying capital receipts to repay the principal of borrowing from previous years. The underspend is due to the impact on MRP of capital receipts exceeding expectations.

6 Movements on Balances and Reserves (see Appendix D)

6.1 County Fund Balances

County Fund Balances increased by £3.3 million during the year due to in year underspends. The balance now stands at £28.1 million. In addition, there are several "earmarked" reserves totalling £142.6 million, where funds are being held for specific identified purposes.

6.2 Schools Reserve

The Schools Reserve has fallen by £6.3 million, which brings the balance at the end of 2010/11 to £31.8 million, analysed as follows:-

	£000
Standards Fund balances held by schools	7,019
Accumulated net underspending by schools	<u>22,311</u>
Total schools balances (held by Governors)	29,330
Adjustments:	
Additional balance carried forward for BSF costs	1,000
Non-Individual Schools Budget Balances	2,902
Internal borrowing against the Reserve (school loans scheme – repayable by schools)	<u>(1,469)</u>
Schools Statutory Reserve	<u>31,764</u>

The movement in school balances by sector is:

	01/04/10	Movement	31/03/11
	£000	£000	£000
Nursery	308	-127	181
Primary	15,437	-642	14,795
Secondary	6,150	-217	5,933
Special	1,383	19	1,402
	<u>23,278</u>	<u>-967</u>	<u>22,311</u>

The number of primary and secondary schools with budget deficits has increased. The total amount owed by schools in deficit is £3.8 million 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.

Schools have a further £7.0 million of balances relating to unspent Standards Fund. Some of this must be spent by the end of August 2011.

6.3 Other Earmarked Reserves

At the end of 2010/11 the total of other reserves stood at £110.9 million. These reserves will be reviewed during the year as part of the MTFS refresh.

6.4 The amount in the Pay Review Reserve towards the cost of job evaluation is £2.1 million after adjusting for:

- a) Backfunding and project costs totalling £1.7 million in 2010/11.
- b) A budgeted contribution to the reserve of £2.7 million in 2010/11
- c) £4.0 million has been used to fund the £6.0 million contribution to the Schools NJE provision.

The remaining reserve is earmarked for any outstanding payments for the national job evaluation scheme and to help fund the pay review for Schools.

6.5 All departments have reserves for identified purposes. A change in accounting standards has resulted in more grants being moved to reserves rather than creditors. This increased the opening balance from £21.1 million to £37.7 million.

During the year, these reserves decreased by £7.3 million to £30.3 million largely due to using un-required reserves. However, included in the above amounts are the following requests for new departmental reserves:

- a) Children & Young People - £0.6 million to cover delays in the enabling process of the Business Support Services Review.
- b) Culture & Community - £0.1 million for equipment renewal at the National Water Sports Centre and £0.2 million for essential maintenance at Sherwood Forest Visitors Centre.

6.6 In addition around 29% (£32.3 million) of the other reserves are held for PFI schemes. The initial arrangements for calculating PFI grant meant that more grant was received in the early years of a PFI scheme than was 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 2010/11 were:

	£000
East Leake Schools	2,776
Bassetlaw Schools	2,759
Waste	22,736
Net Line 1	4,016
	<u>32,287</u>

6.7 £147,000 of the Tram Phase 2 reserve has been used to fund legal costs in 2010/11, leaving a balance of £1.8 million at the end of 2010/11. This is still available to fund any residual costs resulting from the Authority's decision to withdraw from Phase 2 of the Tram network.

- 6.8 The Capital Projects Reserve stands at £4.3 million. Of this figure, £336,000 relates to contributions made by portfolios for future schemes. The balance is available to finance project preparatory costs and revenue works within major capital schemes.
- 6.9 The Improvement Programme underspent by £4.7 million. This is due to the capitalisation of the BMS hardware which released £4.7 million of revenue back into the Improvement Programme funding. Over the five years, the Improvement Programme has a revenue allocation of £21.3 million. The underspend in 2010/11 has been transferred into the Improvement Programme Reserve, bringing the total in the reserve to £8.6 million at the end of 2010/11.
- 6.10 The Life Cycle Maintenance Reserve was established to spread the cost of maintaining new buildings. A contribution is made annually to the reserve in the earlier years which will be gradually offset by increasing maintenance costs as the new buildings become older. The level of the annual contribution requirement has remained at the 2009/10 amount of £994,000, bringing the balance at the end of 2010/11 to £3.7 million
- 6.11 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 2010/11, there was £2.9 million in this reserve at the year end.
- 6.12 The Redundancy Reserve created in 2009/10 has not been used in 2010/11 and so still stands at £3.1 million. This will be used to help meet restructuring costs in excess of the amount already held in contingency for future years.
- 6.13 In 2009/10 the Authority expected to receive LAA Reward Grant of approximately £11.0 million as a result of achieving performance targets agreed with central government. Consequently, following allocations totalling £2.5 million to the Boroughs and Districts, an anticipated reserve of £8.5 million was incorporated into Council budgets in 2009/10. However, the expected £11.0 million of grant was subsequently reduced to £5.6 million by central government so that the County Council's share of LAA Reward Grant was only £3.1 million. Therefore the actual amount brought into the reserve was £5.4 million less than the anticipated amount. Cabinet (14/07/10) proposed that the LAA Reward Grant received by the County Council should be used to address LAA related activities which could no longer be met by the Area Based Grant, which had also been reduced by central government. Hence, in 2010/11, a total of £2.0 million was used to fund such activities, leaving a balance of £1.1 million in the reserve at the end of 2010/11.
- 6.14 The Authority operates a self insurance scheme and covers risks up to a certain 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. At the end of 2010/11 the Reserve stands at £20.6 million.

7. Capital Expenditure

7.1 The following table summarises changes in the gross Capital Programme for 2010/11:

	2010/11 £000
Original Budget* per Budget Book 2010/11	144,915
<u>Changes previously reported to Cabinet:</u>	
Slippage from 2009/10 (incl. financing adjustments)	17,373
Variations	(8,164)
Net slippage of funding from 2010/11 to future years	<u>(18,239)</u>
Revised Budget per Cabinet Report 09/03/11	135,885
<u>Further Changes:</u>	
a) Eastcroft Incinerator	313
b) Early Years Grant	317
c) Variations reported to Finance Portfolio	(3,962)
d) Additional slippage of funding from 2010/11 to future years	<u>(29,020)</u>
Actual Expenditure	<u>103,533</u>

* Excluding Schools Devolved Formula Capital

7.2 A number of variations to the Capital Programme have arisen as part of the year end financing, as follows:

- a) **Eastcroft Incinerator.** Following changes to accounting standards, lifecycle maintenance expenditure, funded from revenue, of £0.3 million in 2010/11 (and approximately £0.5 million per annum thereafter) on the Eastcroft Incinerator now needs to be reported within the Capital Programme. This is a presentational change.
- b) **Early Years Grant.** Expenditure funded from the Early Years Grant in 2010/11 was £0.3 million more than anticipated since more grant was available than previously reported. This grant was ring-fenced for Early Years capital schemes.
- c) **Variations reported to Finance and Property Portfolio.** A few minor additions identified at year end, and approved by Finance and Property Portfolio, have been more than offset by reductions to the Programme.
- d) **Additional Slippage of Funding from 2010/11 to Future Years.** In addition to the slippage previously reported to Cabinet (09/03/11), there has been £29.0 million of further slippage on schemes, of which £22.5 million relates to schemes funded by capital allocations (borrowing). The main areas of this further slippage are:
 - CYPS Schemes (£11.7 million)
 - Integrated Transport Measures (£3.6 million)
 - Roads Maintenance and Renewals (£2.0 million)
 - Building Works (£1.7 million)
 - Ways of Working Programme (£1.0 million)
 - Street Lighting (£0.9 million)
 - Mansfield Library (£0.8 million)
 - Highways Depot Rationalisation (£0.7 million)
 - Local Improvement Schemes (£0.7 million)

8. Capital Financing

- 8.1 Final capital expenditure for 2010/11 amounted to £103.5 million (excluding Schools Devolved Formula Capital of £18.0 million) and the following table summarises how this expenditure has been financed:

	Original Budget £000	Revised Budget # £000	Actual Expenditure £000
Gross Capital Programme*	144,915	136,319	103,533
Funded by:			
Government Supported Borrowing	14,756	14,756	14,756
Prudential Borrowing	56,186	53,644	30,476
Capital Grants etc.	69,916	67,919	58,301
Capital Receipts	4,057	0	0
Total Funding	144,915	136,319	103,533

* Excluding Schools Devolved Formula Capital

As per Budget Book 2011/12

- 8.2 Capital receipts for 2010/11 totalled over £4.9 million, which is £0.9 million more than originally anticipated. These capital receipts have been used to repay some of the principal of borrowing in previous years.
- 8.3 The level of borrowing in 2010/11 was lower than anticipated as a result of the significant slippage in capital expenditure. Total Capital Programme slippage from 2010/11 totals £47.3 million and will be carried forward to 2011/12.
- 8.4 Total borrowing for the year is £45.2 million. This is £25.7 million less than the original planned borrowing for 2010/11 of £70.9 million. External debt therefore falls well within the revised prudential limits approved by County Council on 9th December 2010.
- 8.5 The Capital Programme for 2011/12 will be monitored to ensure that borrowing in 2011/12 is managed within the prudential limits for the year. Following the significant 2010/11 programme slippage, funding by borrowing in 2011/12 is now projected to be £81.3 million. Although this is £22.0 million more than the budgeted borrowing figure in the Budget Book 2011/12, this change represents a delay, rather than an overall increase, in borrowing. Any new capital expenditure slippage in 2011/12 will reduce 2011/12 borrowing. The revised projection of total capital expenditure in 2011/12 is £142.1 million.

9. Statement of Accounts

- 9.1 The pre-audited Statement of Accounts is also being presented to County Council elsewhere on the agenda. The audit will take place over the summer months and so figures are provisional pending the completion of the audit.

10. Statutory and Policy Implications

- 10.1 This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, Crime and Disorder and those using the service. Where such implications are material, they have been described in the text of the report.

11. Recommendations

- 11.1 That:
- a) The year end carry forwards set out in paragraph 3.6 and Appendix B are approved.
 - b) The level of County Fund Balances set out in paragraph 6.1 and Appendix A are approved.
 - c) The movements in reserves as detailed in section 6 and Appendix D be noted.

CLLR REG ADAIR
CABINET MEMBER FOR FINANCE AND PROPERTY

Background papers available for inspection

Accounting Tabulations, Final Accounts reports to Portfolios

Legal Services Comments

Pursuant to section 4.3 of the County Council's constitution, full Council has the authority to approve the budget which includes the allocation of financial resources to different services and projects. [GR 15/6/11]

Comments of Service Director (Finance)

The financial implications are as set out in the report [KS 27/5/11]

MANAGEMENT ACCOUNTS SUMMARY 2010/11

	2010/11 Final Budget £000	2010/11 Provisional Actual £000	Variance £000
Portfolios			
Children and Young People	146,002	143,244	(2,758)
Adult Social Care and Health	226,831	217,398	(9,433)
Transport & Highways	59,545	57,356	(2,190)
Environment & Sustainability	23,641	23,641	-
Community Safety	7,243	5,758	(1,485)
Culture and Community	20,366	19,621	(745)
Leader	6,185	6,024	(161)
Deputy Leader	8,147	7,526	(621)
Finance and Property	33,448	30,469	(2,979)
Personnel and Performance	3,736	3,728	(8)
Portfolio Requirements	535,144	514,764	(20,380)
Redundancies	-	20,220	20,220
Net Portfolio Requirements	535,144	534,984	(160)
Schools Budget (after Dedicated Schools)	-	6,261	6,261
Central Items Managed through Finance Portfolio			
Pay review	-	-	-
Flood Defence Levies	265	265	-
DSO Pension and NJE Costs	3,312	2,353	(959)
General Contingency	3,758	-	(3,758)
Capital Expenditure Financing	753	753	-
Capital Charges included in Portfolios	(45,984)	(45,998)	(14)
Interest etc	15,966	15,836	(130)
Statutory Provision for Debt Redemption	17,618	17,495	(123)
Area Based Grant	(51,650)	(51,695)	(45)
Expenditure before Use of Reserves	479,182	480,253	1,071
Reserves and Balances			
2009/10 Carry Forwards	(1,571)	(1,571)	-
2010/11 Carry Forwards	-	39	39
Schools' Statutory Reserve	-	(6,261)	(6,261)
Pay Review	4,224	4,224	-
Departmental Reserves	(3,598)	(4,271)	(673)
PFI Reserves:			
East Leake	168	168	-
Bassetlaw	(1,546)	(1,546)	-
Waste	4,598	4,598	-
Tram Net Line 1	134	134	-
Tram Phase 2 - Residual Costs	(147)	(147)	-
Capital Projects Reserve	700	700	-
Improvement Programme	3,348	4,671	1,323
Life Cycle Maintenance	(17)	994	1,011
Capital adjustment with Trading Activities	517	572	55
Corporate Redundancy	-	-	-
Performance Reward Grant	(2,132)	(1,984)	148
Transfer to/(from) County Fund	-	3,285	3,285
Funding Required	483,860	483,860	-
Funding			
Council Tax/Surplus on Collection	(307,786)	(307,786)	-
Revenue Support Grant/Business Rates	(176,074)	(176,074)	-
Total Funding	(483,860)	(483,860)	-

APPENDIX B**PROPOSED CARRY FORWARDS OF BUDGET PROVISION BY
PORTFOLIOS 2010/11**

	£'000	£'000
Children and Young People		-
Adult Social Care and Health		-
Transport & Highways		-
Environment & Sustainability		-
Community Safety		-
Culture and Community		-
Leader		-
Deputy Leader		-
Finance and Property		
New Requests:		
Under the rules set up for the Councillors Divisional Fund individual members are allowed to carry forward underspendings of up to 10%	39	39
Personnel and Performance		-
	TOTAL	39

ALLOCATIONS FROM CONTINGENCY

	£000	£000
Contingency Per Revised Budget		5,757
Add Correction to Allocation in Revised Budget:		
Backfill for Trade Union duties		4
Less Allocations requiring approval:		
Schools NJE Provsion	2,000	
Balancing Adjustments to portfolio's	3	
	-	
	-	
	-	
	-	2,003
Unallocated (Net)		<u><u>3,758</u></u>

SUMMARY OF BALANCES AND RESERVES

	Actual 1/4/2010 £000	Use (-) in in 2010/2011 £000	Contrib'n (+) 2010/2011 £000	Transfers 2010/2011 £000	Actual 31/3/2011 £000
County Fund Balances	24,838	-	3,285		28,124
Schools Reserves	38,024	(6,261)	-	-	31,764
Other Earmarked Reserves					
2009/10 Carry Forwards	1,571	(1,571)	-	-	-
2010/11 Carry Forwards	-	-	39	-	39
Pay Review	5,027	(7,702)	4,734	-	2,059
Departmental*	37,734	(24,020)	16,723	-	30,436
PFI Reserves:					
East Leake	2,608	-	168	-	2,776
Bassetlaw Schools	4,305	(1,546)	-	-	2,759
Waste	18,138	-	4,598	-	22,736
Tram (NET Line 1)	3,882	-	134	-	4,016
Tram Phase 2	1,917	(147)	-	-	1,770
Capital Projects	1,470	-	2,823	-	4,293
Improvement Programme	3,885	-	4,671	-	8,556
Life Cycle Maintenance	2,711	-	994	-	3,705
Trading Activities	2,360	(705)	1,230	-	2,885
Redundancy Reserve	3,119	-	-	-	3,119
Performance Reward Grant	8,448	(7,386)	-	-	1,061
Insurance	14,566	(238)	6,312	-	20,640
Total Other Earmarked Reserves	111,741	(43,315)	42,426	-	110,851

DEPARTMENTAL RESERVES DETAIL

	Actual 1/4/2010 £000	Use (-) in in 2010/2011 £000	Contrib'n (+) 2010/2011 £000	Transfers 2010/2011 £000	Actual 31/3/2011 £000
Environment & Resources					
Asset Replacement	1,403	(137)	50	-	1,316
Capital	1,983	(773)	-	-	1,210
Other	1,634	(814)	250	-	1,070
Revenue Grants	1,473 *	(757)	-	-	717
Children, Families & Cultural Services					
Asset Replacement	572	(585)	464	-	451
Other Capital	1,142	(786)	561	140	1,057
Other	4,712	(3,984)	3,263	-	3,991
Revenue Grants	6,230 *	(4,183)	865	(140)	2,772
Policy, Planning & Corporate Services					
Asset Replacement	356	(200)	45	-	200
Other	20	(20)	-	-	-
Revenue Grants	749 *	(568)	-	-	181
Adult Social Care and Health & Public Protection					
Asset Replacement	2,117	(1,523)	-	-	593
Capital	88	(33)	5	-	60
Sheltered Employment	1,129	(1,459)	1,374	-	1,044
Other	5,961	(3,510)	3,568	2,353	8,372
Revenue Grants	8,165 *	(4,688)	6,278	(2,353)	7,402
Total Departmental Reserves	37,734	(24,020)	16,723	-	30,436

Note: *Actual 1/4/2010 Figures for Revenue Grants are prior period adjustments due to the change in accounting standards