CABINET	AGENDA ITEM No. 5
1 JULY 2013	PUBLIC REPORT

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BUDGET MONITORING REPORT FINAL OUTTURN 2012/13

R E C O M M E N D A T I O N S	
FROM : Executive Director Strategic Resources	**Deadline date : 21 June 2013**

Cabinet Notes:

1. The final outturn position of £135k under spend on the Council’s revenue budget 2012/13 and that this is an improvement since the probable outturn position;
2. The final outturn position of £111.7m on the Council’s capital budget 2012/13;
3. The reserves position for the Council;
4. The performance against the prudential indicators; and
5. The performance on treasury management activities, payment of creditors, collection performance for debtors, local taxation and benefit overpayments.

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet as a monitoring item as a referral from CMT on 28th May 2013. The report has already been received by Audit committee on 24th June as part of the annual closure of accounts process.

2. PURPOSE AND REASON FOR REPORT

2.1 The report informs Cabinet of the final financial position for the revenue budget, capital programme and final reserves position for 2012/13.

2.2 The report also contains performance information on treasury management activities, payment of creditors and collection performance for debtors, local taxation and benefit overpayments.

2.3 The report is for Cabinet to consider under its Terms and Reference No 3.2.7, to be responsible for the councils overall budget and determine action required to ensure that the overall budget remains within the total cash limit.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	No	If Yes, date for relevant Cabinet Meeting	

4. FINAL OUTTURN 2012/13

4.1 Corporate Overview

4.1.1 When Full Council approved a deficit budget for 2012/13 within the Medium Term Financial Strategy (MTFS) in February 2012, it was on the basis that it would use reserves to balance the 2012/13 budget. The MTFS also outlined that there were a number of financial risks that the Council would need to monitor during the year.

4.1.2 As the financial year progressed, some risks materialised and further pressures emerged across demand led budgets within adult social care and children services, the local economic conditions adversely impacting on income budgets such as commercial property and parking.

4.1.3 The corporate management team have been regularly advised of the risks and emerging pressures throughout the year and have taken appropriate action to deal with the issues. The Cabinet have received regular updates since September's Cabinet report outlined an over spend of £3.3m on the 2012/13 revenue budget. Cabinet continued to assess and recommend actions to reduce the overspend and assess whether the risks and pressures would continue into future financial years. The report to Cabinet in February which was also presented to Full Council during March, reported a reduction in the over spend to £0.8m.

4.1.4 The actions undertaken by the Corporate Management Team and Cabinet included:

- Departmental management teams have reviewed the budget position monthly and taken appropriate action including having action plans to address budget issues;
- Where possible departments have contained pressures with local actions and this has been acknowledged in corporate budget reports. Adult social care has specifically implemented a robust panel process for accessing placements and a similar process is in place within Childrens services. Adults have also implemented a strict vetting process for recruitment, a gate keeping process on supplies and services spending and have prioritised income generation;
- CMT have received specific reports on the RAG status of savings proposals and additional risks and pressures with a focus on red and amber;
- Vacancy management across the Council, only recruiting to essential posts;
- Spending on business critical issues only including the deferral of some growth project spend into future financial years once the market conditions generate an opportunity to facilitate growth within the city;
- The capital programme has been reviewed during the year, deferring projects into future financial years or removing projects that are no longer required. This has reduced the level of borrowing required and the saving on interest and repayments have resulted in a reduced cost charged to the revenue account;
- Where possible all opportunities have been taken to capitalise expenditure relieving the pressure on the revenue account; and
- Review of reserves and provisions, particularly the commitments within the capacity fund.

4.1.5 The achievement of these actions resulted in the Council's final revenue position 2012/13 being £135k under spent which has subsequently been set aside in the capacity building reserve. The capital programme spend is £111.7m. The next two sections of this report provide further detail on the revenue budget and capital programme.

4.1.6 In conclusion, the Council has managed the financial challenges during 2012/13 with positive actions balancing the need to meet the challenges of the national economic climate and the demands of local circumstances without detriment to service delivery and has delivered a balanced budget position.

4.1.7 However, even with the improved position on the revenue account and increased reserves, the Council cannot be complacent in managing financial resources given the deficits forecast in future years and the continued impact of the economic climate and must strive to ensure value for money is provided across all services.

4.1.8 The Council remains committed to its strategy in delivering service efficiencies and improvements using a proactive approach to managing Council finances and through the continued delivery of a longer term financial plan covering a rolling ten year cycle.

4.2 Financial Report – Revenue

4.2.1 The Council's overall revenue position is an under spend of £135k against the budget of £150,426k and represents a net improvement of £915k since the probable outturn was reported to Full Council in March as part of the 2013/14 budget setting process. The probable outturn was based on December figures and since it was reported CMT have been advised of improvements based upon January and February figures. The surplus of £135k will be transferred to the capacity reserve as part of the closure of accounts process, leaving the General fund balance at its current level of £6m.

4.2.2 An overview of the Council's final revenue position for each department for 2012/13 is shown in the following table compared to the probable outturn and a detailed breakdown by service area can be seen in appendix A. The key movements since the probable outturn are set out below for each department in paragraph 4.2.3.

Probable Outturn March Council £k	**Department**	**Final Outturn £k**
-897	Adult Social Care	0
-847	Children Services	-922
-86	Operations	64
542	Chief Executive	982
508	Strategic Resources	11
-780	**OUTTURN – surplus (+) / deficit (-)**	**135**
	Transfer of surplus to Capacity Reserve	-135
	Final General Fund Revenue Outturn	**0**

4.2.3 The main changes since the probable outturn was presented to March Cabinet were:

Adult Social Care – Extra one off funding under the 'Valuing People Now Transfer' and winter pressures monies totalling £0.4m, vacancy management and other targeted savings of £0.8m, offset by a contribution to reserves of £0.3m to support the department's delivery of savings in 2013/14.

Children Services – The net change of under £0.1m related to minor fluctuations against confirmation of final costs as part of the closure of accounts that could not be absorbed by the department's action plan.

Operations - The outturn position has improved through the continued actions taken within the departments action plan to manage vacancies and curtail spend on supplies and services budgets. In addition, further income improvements providing health and safety to schools and reduced costs in Neighbourhoods totalling £0.2m.

Chief Executive – The further improvement to the departments under spend is a result of the release of the land charges provision being confirmed as no longer required £0.4m and minor updates through vacancy management and curtailing of supplies and services budgets.

Strategic Resources – The further net improvement since probable outturn was over a range of areas impacted by final closure of accounts processes and improved income comprising of:

Improvements to outturn

- Treasury management and savings in capital financing costs (£0.7m)

- Income from the VAT Shelter arrangement with Cross Keys, waste services, housing benefit subsidy and registration and bereavement totalling (£0.8m)
- An improvement on vacant property rental income from earlier forecasts (£0.1m)

Increased cost pressures

- Increase on the bad debt provision contribution (£0.1m)
- Westcombe Industries backdated VAT claim (£0.5m)

4.2.4 Key reasons for the final outturn position within Chief Executive department (£1m underspend) and Children Services (£0.9m overspend) were as follows:

- Chief Executive – the under spend is predominantly a re-profiling of growth budgets into future financial years (£0.4m), the release of a provision held for land charges (£0.4m), members allowances (£0.1m) and other minor savings.

- Children Services – the demand led budgets associated with looked after children, home to school transport and the short breaks review offset by a range of departmental actions across all budget areas as reported from September 2012 onwards.

4.2.5 The Dedicated Schools Grant shows an under spend of £898k against a budget of £119.0m. Schools Forum is responsible for decisions related to the Dedicated Schools Grant. This has been included for information purposes only. In accordance with accounting guidance, the under spend has been carried forward to next financial year.

4.3 Financial Report – Reserves

4.3.1 The Council's departmental reserves and capacity building reserve are monitored throughout the year as part of budget monitoring and feed into the budget setting process accordingly. The table below summarises the estimated position for all reserves at the end of 2012/13 and for the next five years.

	2012/13	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**
Reserve	**Estimated Balance at 31.03.13 £000**	**Estimated Balance at 31.03.14 £000**	**Estimated Balance at 31.03.15 £000**	**Estimated Balance at 31.03.16 £000**	**Estimated Balance at 31.03.17 £000**	**Estimated Balance at 31.03.18 £000**
General Fund Balance	6,000	6,000	6,000	6,000	6,000	6,000
Capacity Building Reserve	4,426	2,311	1,748	1,748	1,748	1,748
Departmental Reserve	5,845	697	585	580	575	570
Subtotal	**16,271**	**9,008**	**8,333**	**8,328**	**8,323**	**8,318**
Reserves held for a specific purpose [*1]						
Insurance Reserve	3,811	3,097	2,997	2,897	2,797	2,697
Schools Capital Expenditure Reserve	955	955	955	955	955	955
Parish Council Burial Ground Reserve	37	37	37	37	37	37
Local Authority Mortgage Scheme Reserve	36	36	36	36	36	36
Building Control Reserve	24	0	0	0	0	0
School Leases Reserve	171	180	189	197	59	48
TOTAL	**21,305**	**13,313**	**12,547**	**12,450**	**12,207**	**12,091**

[*1] – Reserves that are held for a specific purpose such as trading accounts, third parties that have an interest in the balance before it can be used to support general fund expenditure or to support Council policies.

- General Fund – The general fund will be maintained at £6m and this is consistent with the current MTFS.
- Capacity Building Reserve – This reserve is held to meet one off costs including the delivery of existing savings within the current MTFS. The improvement to the reserve since Full Council set the 2013/14 budget is predominantly due to the improved revenue outturn position and the release of revenue budget for expenditure that can be funded within the capital programme.
- Departmental Reserves – The amounts set aside by departments during the preparation of the accounts is in accordance with financial guidance to minimise risk exposure to the Council in the following financial year. Most of the £5.8m balance reflects a new reserve of £3m resulting from a grant in respect of the future cities programme and will be utilised during 2013/14. Other changes in the balances since full Council include £323k for investment in Adult services, £390k for energy related projects, £444k for various Operations department activities and £419k within Childrens services.

4.3.2 Although the reserves position has improved overall, the majority of this balance will be required during 2013/14 and is therefore not additional monies, only a timing issue between financial years of when the commitments are likely to occur.

4.4 Financial Report – Capital

4.4.1 At the beginning of the financial year, the capital programme was £251.8m, the result of the agreed capital programme for 2012/13 of £244.6m and slippage from the previous financial year of £7.2m. Throughout 2012/13 the capital programme was regularly reviewed and was finally reduced to £116.0m.

4.4.2 Capital expenditure during 2012/13 totalled £111.7m as shown in the summary table below.

Overall position of the Capital Programme 2012/13 as at 31 March 2013

Capital Programme by Directorate	Budget @ 01.04.12 £000	Revised Budget £000	Actual Expenditure £000	Total Budget Spent
Adult Social Care	4,524	1,417	1,395	98%
Chief Executive Dept	14,517	3,499	2,850	81%
Children’s Services	72,911	79,114	76,584	97%
Operations	20,529	14,715	14,225	97%
Strategic Resources	39,337	14,050	13,725	98%
Invest to Save	100,000	3,220	2,954	92%
Total	**251,818**	**116,015**	**111,733**	**96%**
Financed by:				
Grants & Contributions	35,232	38,279	31,415	82%
Capital Receipts	15,495	5,059	5,059	100%
Borrowing - Invest to Save	100,000	3,220	2,954	92%
Borrowing	101,091	69,457	72,305	104%
Total	**251,818**	**116,015**	**111,733**	**96%**

4.4.3 Significant projects that contributed to the decrease in the overall capital programme from £251.8m to £116.0m include:

- **Adult Social Care** - £3m for the rephasing of the residential home replacement project into 2013/14.
- **Chief Executives** - £11m including:
  - £8.3m for the refurbishment of the Football Stadium.
  - £1.9m - Cost of Disposals budget.
  - £1m - Corporate Growth Area budget was slipped due to the continued suppressed economic climate. This has led to the developers delaying investment in growth plans.
- **Children’s Services** – The movement of £6.2m between the budget as at 1st April 2012 and the current budget was mainly due to the agreed slippage from the previous year and a review of the capital programme after the budget had been agreed.

- **Operations -** £5.8m including:
  - £2.8m - Affordable Housing budget due to the overall economic environment which has led to stagnant building programmes and delays to other major projects. External demand for the Affordable Housing funding has continued to be low and only £0.17m of the original £3m has been paid out this financial year.
  - £0.25m - Off Street Car Parks as the programme was delayed due to staff changes and the ongoing Car Park rationalisation programme.
  - £0.33m - St Peter's Arcade was rephased and is due to be completed in June 2013.
  - £0.4m - Bourges Boulevard Subway as the scheme is only at the design stage and will be rolled into the Bourges Boulevard project in the future.
  - £0.3m - Street Lightings adaptations project was delayed due to adverse weather conditions experienced during December and January. The work will be completed in early 2013/14.
  - £0.3m - Traffic Signal Upgrade has been delayed and the project is still expected to be delivered in the next financial year.
- **Strategic Resources -** £25m including:
  - £15.5m slipped into future years for the Waste Management Strategy due to the change in planned timescales
  - £2.8m Peterborough Serco Strategic Partnership
  - £1m Broadband infrastructure
  - £2m Local Authority Mortgage Scheme
  - £3.8m on various small schemes.
- **Invest to save** - £96.8m rephased to 2013/14 onwards
  - In total £3.2 m was allocated to two schemes in 2012/13 with the balance being rephased into 2013/14 at an early stage. Just under £3m has been spent during 2012/13 and the balance will be carried forward into 2013/14 to add to the rephased budget.
  - Schools Solar PV Installation - £1.5m of Invest to Save budget has been spent on installing solar panels to school buildings. Phase 1 of the programme has been completed where 12 schools now benefit from the renewable energy that is generated from these panels. It is hoped that the programme will be further rolled out across schools in Peterborough. Feasibility is being undertaken to establish whether this is possible, with a further £5m agreed for this Phase 2 programme.
  - Development of Ground Mounted Solar Photovoltaic (PV) Panels (Solar Farms) and Wind Turbines – at the Cabinet meeting of 5 November 2012 the proposal to submit planning application in respect of development of ground mounted solar photovoltaic panels across three Council owned agricultural sites (Americas Farm, Morris Fen and farms at Newborough) was approved and £1.5m has been spent in 2012/13 on this scheme. This is a major scheme and it was agreed during the budget process to set up a specific budget from 2013/14 onwards with the result that there will be no further call on the invest to save budget for the scheme.
  - It was originally intended to use some of the invest to save pot to support the Energy from Waste scheme, allowing a larger plant to be built, providing greater generating capacity and on-going income. Given the timing of this project, the Council capital programme now includes the specific capital budgets required for this project and thus no longer uses the Invest to Save scheme.
  - A review of the Invest to Save scheme principles has been undertaken by Price Waterhouse Coopers and findings shared with members in a separate report to Audit Committee on 24 June 2013.

4.4.4 The capital programme is financed through borrowing, capital receipts, grants and contributions. The amount of borrowing required has reduced due to slippage in the capital programme since the MTFS was approved. The Council has borrowed £75.3m during 2012/13 to fund the capital expenditure.

4.4.5 The funding of the 2012/13 capital programme assumed £15.3m of capital receipts and £0.2m of Right to Buy receipts. The actual capital receipts received were £4.8m and £0.3m respectively. Receipts received were less than budgeted due to various issues surrounding the selling of land/properties which cause the anticipated income from disposals to slip into 2013/14.

4.5 Financial Report – Treasury Management Activity for 2012/13

4.5.1 The Treasury Management Strategy was updated during the year as part of the Medium Term Financial Plan. It contains the strategy for borrowing and investing for the next financial year and details the approved prudential indicators for the next ten years. The main objectives of the Strategy are:

1. To utilise surplus cash balances to fund the capital programme as an alternative to borrowing. Cash required for short term cash flow is to be invested with dependable institutions for short periods in accordance with the Council's lending list.
2. Borrowing required to fund the capital programme will be obtained at the cheapest possible interest rate to reduce the revenue cost to the Council and for a range of periods to best fit the Council's debt maturity profile.
3. To seek to reschedule debt at the optimum time.

4.5.2 The 2012/13 treasury management activities are summarised as follows:

a. In 2012/13 it was necessary to take out new borrowing of £76m to fund the capital programme (£75.3m) and to cover short term cash flow fluctuations (£0.7m). The borrowing has been taken out over a range of periods to best fit the Council's maturity profile of debt. Also the best possible interest rate has been sought in line with the budget for borrowing. The budget for new borrowing in 2012/13 was £1.8m of which £228k was required.

b. As part of the new borrowing undertaken, long term borrowing of £21m for 10 years or more has been taken out during February and March with the PWLB. As the Council is eligible for the PWLB Certainty Rate of a discount of 0.20 basis points, the Council has benefited from a lower interest rate on long term borrowing.

c. In order to mitigate the risk linked with the ongoing financial uncertainty in the UK and in the Eurozone, investments were placed in accordance with the Council's restricted lending list. The current lending list ensures investments are secure and liquid but results in low interest returns as limited institutions are used and the impact of the low bank base rate, which has remained at 0.50% since March 2009.

d. Investments were placed for short periods to cover daily cash flow fluctuations. Surplus cash was invested in line with the Treasury Strategy to ensure security and liquidity therefore yield is lower due to low risk options used. Surplus cash is placed in the Barclays call account which has a restricted limit of £5m and yields 0.50%. The Debt Management Office (DMO) is also used for short term fixed investments with a yield of 0.25%. The DMO is one of the most secure institutions as it is a Government agency part of Her Majesty's Treasury.

e. Consideration has been made to rescheduling debt however there have been no suitable opportunities to do this. The difference between the repayment rate and the rate of a new loan has not resulted in a net discount to the Council and no savings were to be made.

4.5.3 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow money in the long term for capital purposes. In accordance with the 2009 SoRP this now includes the liability for the Private Finance Initiative (PFI) agreement and the 2010 Code of Practice has revised the way the Council accounts for some leases which also impacts on the CFR.

4.5.4 Further information on the Council's capital financing arrangements can be found in the Prudential Indicators performance found in Appendix B.

4.5.5 In 2012/13 the CFR was:

	£000
Opening Capital Financing Requirement 1 April 2012	**250,184**
New Capital Expenditure Financed by Borrowing	75,259
Minimum Revenue Provision for Debt Repayment	(7,081)
Minimum Revenue Provision for PFI	(1,468)
Minimum Revenue Provision for Leases	(800)
Closing Capital Financing Requirement 31 March 2013	**316,094**

4.6 Financial Report – Performance Monitoring

4.6.1 An outline of performance against key indicators can be seen in appendix C.

5. CONSULTATION

5.1 Detailed reports have been discussed in Departmental Management Teams.

6. ANTICIPATED OUTCOMES

6.1 To note the final outturn position for revenue and capital 2012/13 for the Council.

6.2 To note the reserves position for the Council.

6.3 To note the performance figures and prudential indicators for the Council.

6.4 To note the actions that has been taken during 2012/13.

7. REASONS FOR RECOMMENDATIONS

7.1 This monitoring report for the 2012/13 financial year forms part of the closure of accounts and decision making framework culminating in the production of the Statement of Accounts and informs Cabinet of the final position.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 None required at this stage.

9. IMPLICATIONS

9.1 This report does not have any implications effecting legal, human rights act or human resource issues.

9.2 Members must have regard to the advice of the Section 151 Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985.
Detailed monthly budgetary control reports prepared in Departments.