

<b>MEETING:</b>	<b>CABINET</b>
<b>MEETING DATE:</b>	<b>20 JUNE 2013</b>
<b>TITLE OF REPORT:</b>	<b>FINAL OUT TURN REPORT 2012/13</b>
<b>REPORT BY:</b>	<b>CHIEF OFFICER: FINANCE &amp; COMMERCIAL</b>

## **1 Classification**

Open

## **2 Key Decision**

This is not a key decision

## **3 Wards Affected**

County Wide

## **4 Purpose**

To consider and approve the final revenue and capital outturn position for 2012/13.

## **5 Recommendation(s)**

See cover report recommendations c to e

## **6 Alternative Options**

6.1 There are no alternative options.

## **7 Reasons for Recommendations**

7.1 Whilst work continues on the range of tasks necessary to prepare the council's statutory Statement of Accounts for 2012/13, it is sufficiently advanced for Cabinet to consider the final outturn for the year.

## **8 Key Considerations**

8.1 Appendix A shows that the revenue budget overspent by £2.3 million compared to an anticipated £3.5 million overspend as at the end of February 2013.

8.2 The most significant overspend related to commissioning of adult services, which had been anticipated and included in budget monitoring reports during the year. The final figures on adult social care were an overspend of £5.9 million. The position was mitigated by action within the Adult Services area and savings within other services, resulting in an over spend within the People's Directorate budget of £5.2 million.

- 8.3 The Treasury Management projected out-turn is an underspend of £869k on borrowing costs, largely achieved through delaying taking out Public Works Loan Board (PWLB) loans by utilising internal reserves and short-term borrowing from other local authorities. It also includes capitalised interest on schemes over 12 months duration. Investment income underachieved by £69k as investment balances are less than budgeted due to the delay in borrowing, but this was more than compensated for by the savings on borrowings exceed the reduced investment income. Appendix C includes a detailed analysis and the formal treasury management out-turn report in line with the CIPFA Code of Practice on Treasury Management. The council has complied with its Prudential Indicators for 2012/13, which were approved on 18 February 2013 as part of the Council's Treasury Management Strategy Statement.
- 8.4 Further mitigation is from the £1m revenue contingency agreed as part of the budget. This is only available in 2012/13 as it is funded from the Council Tax Freeze Grant.
- 8.5 The net overspend on centrally held budgets was £474k. This includes an overspend on redundancy costs of £467k after providing for commitments at 31st March for non-school staff of £440k (as required by accounting standards). Also included is an under-recovery of procurement savings targets of £1.3 million. The majority of the schemes identified to deliver the procurement savings were in adult social care (notably Homecare and Domiciliary Care Overpayments Audit). These overspends have been offset by other unused centrally budgets, which were held back as part of the recovery plan to mitigate the financial position e.g. waste disposal contingency.
- 8.6 The general reserve balance as at 31st March 2013 was £3.8 million, after funding the £2.3 million overspend. However, the 2013/14 budget includes a transfer to the General Fund reserve of £2 million, bringing the balance to £5.8 million. This transfer in the 2013/14 budget means we comply with the policy requirement to hold a general fund reserve equivalent to a minimum of 3% of net budget. The minimum amount would be approximately £4.5m in 2013/14 but given financial pressures it is appropriate we hold sufficient balances to meet any unexpected issues that arise in 2013/14.
- 8.7 As at the 31<sup>st</sup> March 2013 the council held £13.9 million of earmarked reserves, which are detailed in Appendix A. The specific nature of some reserves means that some are not available for reclassification as general reserves, for example schools balances and dedicated schools grant. However, the requirement for other reserves was reviewed as part of the 2012/13 accounts closedown and £142k was re-designated towards change management costs in 2013/14. The out-turn position includes three new reserves as detailed in paragraph 7 of Appendix A;

	£000	
Community Equipment store	110	Potential funding shortfall in 2013/14
Community social workers	116	Potential funding shortfall in 2013/14
Change Management	142	Created from realigned reserves

8.8 The council has received a communication from Shropshire County Council that there has been an issue during the external audit of the West Mercia Supplies accounts around the treatment of the sale of the business. The original treatment has been to account for this as a capital receipt, which has been distributed to member authorities, including Herefordshire. It has been suggested that an element of this receipt may possibly be accounted for as revenue income, but our discussions with Grant Thornton indicate that this issue is far from settled and it would be prudent not to change our accounts unless there are further developments. If it is concluded that this is the case then £825k (of the £1.5m received) would be transferred from capital receipts to the revenue account.

8.9 Appendix B includes the position on the capital programme for 2012/13. It shows that in 2012/13 the final outturn was £38.6m, £500k more than forecast in February.

## **9 Community Impact**

9.1 Not applicable

## **10 Equality and Human Rights**

10.1 The recommendations do not have equality implications

## **11 Financial Implications**

11.1 These are contained within the report

## **12 Legal Implications**

12.1 None

## **13 Risk Management**

13.1 The council is required to ensure the closure of 2012/13 accounts by 30<sup>th</sup> June 2013 including signing off of the statutory statements by the Council's Chief Finance Officer. Failure to do so carries a reputational risk for the council in relation to its corporate governance role.

## **14 Consultees**

14.1 None

## **15 Appendices**

15.1 Appendix A – Revenue Budget Monitoring

Appendix B – Capital Monitoring

Appendix C – Treasury Management

## **16 Background Papers**

None