

North Tyneside Council Report to Cabinet Date: 11 June 2012

ITEM 6(a)

2011/12 Finance Outturn
Report

Portfolios: Elected Mayor Finance and Resources	Cabinet Member: Mrs Linda Arkley Cllr Judith Wallace
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Report from: Finance and Resources Directorate

Report Author: Fiona Rooney, Strategic Director of Finance and Resources
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Wards affected: All

PART 1

1.1 Purpose:

1.1.1 This report, and the supporting Annex 1 and its Appendices, set out details in respect of the provisional outturn for the General Fund, Housing Revenue Account, School balances position, the financial and delivery aspects of the Capital Plan and the delivery of the Treasury Management Strategy for the financial year 2011/12.

1.1.2 The purpose of this report is therefore to:

- (a) Advise Cabinet of the provisional 2011/12 outturn for the General Fund, Housing Revenue Account and Schools Finance (Annex 1, Sections 2, 3 and 4) together with a financial overview of the year (Annex 1, Section 1);
- (b) Seek Cabinet approval for the requests for carry forward of budgets of £0.359m (Annex 1, Section 2 Paragraph 2.23);
- (c) Advise Cabinet of decisions made under the Reserves and Balances Policy (Annex 1, Section 2, Paragraphs 2.26-2.30);
- (d) Inform Cabinet of the Council's Capital Plan spend during 2011/12, and the financing put in place (Annex 1, Section 5);
- (e) Seek Cabinet approval for approval of further reprogramming of £8.869m within the Capital Plan (Annex 1, Section 5, Paragraph 5.11 and Appendix I);
- (f) Advise Cabinet of the Council's Treasury Management performance (Annex 1, Section 6); and

- (g) Advise Cabinet of the performance of both Capital and Treasury Management prudential indicators (Annex 1 Section 7).

1.2 Recommendations:

It is recommended that Cabinet:

- (a) Notes the provisional 2011/12 outturn for the General Fund, Housing Revenue Account and Schools Finance (Annex 1, Sections 2, 3 and 4) together with a financial overview of the year (Annex 1, Section 1);
- (b) Approves the requests for carry forward of budgets of £0.359m (Annex 1, Section 2 Paragraph 2.23);
- (c) Notes the decisions made under the Reserves and Balances Policy (Annex 1, Section 2, Paragraphs 2.26-2.30);
- (d) Notes the Council's Capital Plan spend during 2011/12, the financing put in place (Annex 1, Section 5);
- (e) Approves further reprogramming of £8.869m within the Capital Plan (Annex 1, Section 5, Paragraph 5.11);
- (f) Notes the Council's Treasury Management performance (Annex 1, Section 6); and
- (g) Notes the performance against the Capital and Treasury prudential indicators (Annex 1 Section 7).

1.3 Forward Plan

This report was included on the Forward Plan for the period 1 June 2012 - 30 September 2012.

1.4 Council plan and policy framework.

The Council Plan and Budget are key strands of the Council's Budget and Policy Framework.

1.5 Information - Executive Summary

1.5.1 Annex 1 to this report sets out the provisional outturn for 2011/12 for the General Fund, the Housing Revenue Account, Schools Finances and the Capital Plan, including a summary of schemes delivered. It also provides a summary position on the achievement of the Treasury Management Strategy during the year together with the associated prudential indicators for capital and treasury .

1.5.2 **General Fund Revenue Budget:** As at 31 March 2012 the provisional General Fund revenue outturn position is an underspend of £0.419m. Approval of the carry

forward requests as set out in section 1.1.2 of £0.359m would result in a surplus of £0.060m. The surplus has been transferred to the Strategic Reserve in accordance with the Reserves and Balances Policy (Annex 1, Section 2, Paragraphs 2.26-2.30). Directorates show a underspend of £0.473m (after accounting for utility costs centrally) at the 31 March 2012, an improvement of £1.365m against the year-end projections reported to Cabinet on 12 March 2012. Utility costs- identified as a pressure throughout 2011/12 ended the year with a £1.568m overspend. Corporate and Non-delegated items, including contingencies applied, showed an underspend against budget of £1.514m.

- 1.5.3 **Reserves, Balances and Provisions:** As part of the 2011/12 final accounts, amounts have been set aside as provision and reserves for known liabilities and uncertainties that still remain in future years. This includes the provision for equal pay settlements of £15.128m.
- 1.5.4 For 2012/13 the position regarding the financing of equal pay costs and the likelihood of capitalisation requests to Communities and Local Government (CLG) for equal pay costs remains uncertain. This increases the risk that costs arising during 2012/13 will necessarily fall on the Strategic Reserve. It is essential, therefore, that the level of the Council's Strategic Reserve continues to be closely managed over the medium term.
- 1.5.5 **Housing Revenue Account:** The Housing Revenue Account has year-end balances of £4.298m, which is £0.842m above budget.
- 1.5.6 **School Finances:** School balances have increased from £6.424m to £6.726m, although these balances include a significant amount of committed funds and the permitted carry forward of grants for the remainder of the academic year. School balances continue to be monitored closely.
- 1.5.7 **Capital Plan:** The final capital expenditure for the year was £48.463m, with a recommendation noted above for Cabinet to approve reprogramming of £8.869m into 2012/13. The financing of the Capital Plan has been varied during the year to reflect the level of grants received and reprogramming.
- 1.5.8 **Treasury Management:** The Council has acted prudently during the year, confirming that the security of the Council's resources is of greater importance than returns on investments. To that effect, treasury management activity during the year has focused on reducing the inherent risk to the Council. The level of investments at 31 March 2012 was £1.600m, down £8.000m from the previous year. The level of borrowing (excluding PFI) increased from £330.901m to £446.111m, including new borrowing of £128.193m being taken on 28 March 2012 which was necessary to meet the statutory requirements for the self financing of the Housing Revenue Account from 1 April 2012.

1.5 Decision options:

Option 1

Cabinet can agree the recommendations as set out in Section 1.2 of this report.

Option 2

Cabinet can disagree with all or some of the individual recommendations set out in section 1.2 of the report.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Cabinet is recommended to agree the proposals set out in section 1.2 of this report as it is important that Cabinet continues to monitor performance against the Council Plan and Budget. Reprogramming of the Capital Plan will ensure that the delivery and financing of the Plan is balanced over the medium term.

1.8 Appendices:

Annex 1	2011/12 Finance Outturn Report
Appendix A	Children Young People and Learning Directorate
Appendix B	Community Services Directorate
Appendix C	Finance and Resources Directorate
Appendix D	Chief Executive's Office
Appendix E	Central Costs
Appendix F	Housing Revenue Account
Appendix G	Details of Changes to the Approved Capital Plan
Appendix H	2011/12 Capital Financing Summary
Appendix I	2011/12 Capital Plan Summary of Variances
Appendix J	2011/12 Projects over £1m
Appendix K	Earmarked Reserves and Balances as at 31 March 2012
Appendix L	Glossary of Terms

1.9 Contact officers:

Janice Gillespie - Corporate Finance matters - Tel 643 5701

Margaret Keith - Treasury Management matters - Tel 643 5747

Cathy Davison – Capital Plan (financing) matters - Tel 643 5727

Alison Campbell - Community Services/Chief Executive's Office - Tel 643 7038

Darrell Campbell - Housing Revenue Account matters - Tel 643 7052

Anthony Gollings – Children, Young People and Learning/Finance and Resources/
School Finance matters - Tel 643 8071

1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

(a) Revenue Control Budget 2011/12(P).

(b) Approved Capital Plan 2011/12 (P).

- (c) General Ledger Reports to 31 March 2012 (excluding exempt personal information) (P)
- (d) Council Reserves and Balances Policy (P).
- (e) Treasury Management Strategy Statement and Annual Investment Strategy 2011/12(P)
- (f) The Code of Practice 2011/12

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

As this is a financial report, implications are covered in the body of the report and Annex 1. This report will also be presented to the Council's Finance Sub-Committee at its meeting on 20 June 2012.

2.2 Legal

The Council has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

2.3 Consultation/community engagement

Internal consultation

- 2.3.1 Relevant officers across the authority have been consulted on this report and Senior Leadership Team received and commented on a draft version of this report, as have the Elected Mayor and Cabinet Member for Finance and Resources.

Community engagement

- 2.3.1 The initial Budget and Council Plan were based upon the engagement that Cabinet Members had with residents, the results of the Residents' Survey, statistical needs analysis and regional and national priorities; details are set out in the agenda papers for the Council meeting of 3 February 2011.

2.4 Human rights

The proposals within this report do not have direct implications in respect of the Human Rights Act 1998.

2.5 Equalities and diversity

There are direct no equalities and diversity implications arising from this report.

2.6 Risk management

Potential future financial pressures against the Council are covered in this report and registered through the Council's risk management process.

2.7 Crime and disorder

There are no direct crime and disorder implications arising from this report.

2.8 Environment and sustainability

There are no direct environmental and sustainability implications arising from this report.

PART 3 - SIGN OFF

- Chief Executive
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Strategic Director with responsibility for Community Engagement

Report Author: Jon Ritchie