ANNEX 1

North Tyneside Council

2012/13 Provisional Finance Outturn Report

widening horizons

www.northtyneside.gov.uk

Contents

Section 1: Summary

Summary

1.1 The Council's audited Statement of Accounts (the Accounts) for 2012/13 will be presented to full Council for discussion and approval at the end of September 2013. This is a statutory document which sets out the Authority's financial position and performance for the year in a series of formal accounts prepared according to a specific statutory and regulatory framework.

1.2 Successive changes to local government accounting practice have made the Accounts a very technical document. As in previous years, we are taking the opportunity to set out the Authority's financial performance in an outturn report. This reflects the Authority's structure and is set out on a similar basis to the financial management reports presented to Cabinet throughout the year. This report is also the end-point of the Authority's financial management process for the financial year 2012/13.

1.3 The figures contained in this report are provisional until the approval of the Accounts. In accordance with legislation the draft Accounts will be "certified" by the Chief Finance Officer by 30 June 2013 and the audited Accounts will be approved by full Council by the end of September 2013.

1.4 The net effect on General Fund revenue, after taking into account all year end transactions and transfers to and from reserves, is an underspend of £0.076m. It is proposed that this amount is transferred to the Authority's Strategic Reserve. After this final transfer, the General Fund Revenue Account will show spend on budget for 2012/13, with a closing balance on the Strategic Reserve of £7.137m. Further details are given in Section 2 in this Annex and Appendix J.

1.5 The Housing Revenue Account has year-end balances of £2.199m, which represents an improvement against the budget of £0.896m. This improvement is as a result of an in year improvement against budget of £0.059m and an increase in brought forward balances of £0.837m. The increase in brought forward balances were allocated in-year by Cabinet as part of the funding solution for the Station Road new build scheme.

1.6 School balances have reduced from £6.726m at the start of the financial year to £6.054m. The balance for Moor Edge First School (now Grasmere Academy) has been excluded from the balance held at 31 March 2013 (£0.033m at 31 March 2012). This reduction in overall balances reflects the fact that school balances are at an appropriate level and therefore spend will take place for the benefit of current pupils.

1.7 The initial approved Capital Plan for 2012/13 was £43.734m. Variations and reprogramming arising from 2011/12 and in year took the plan to £53.686m.

Capital expenditure for the year was £40.582m, a variation of £13.104m (credit). This includes further reprogramming of £12.364m (credit).

Strategic Management of the Council's Budget

1.8 Whilst statutorily the Authority's budget and Accounts must be prepared by individual financial years, the pressures and opportunities that the Authority faces extend across several accounting periods. Decisions taken in one year will be felt in subsequent periods. One of the benefits of the Authority's regular budget monitoring process is that issues can be identified early in the year and action taken to address them. The outcomes of these actions can then inform both budget setting and final accounts preparation. Budget setting, budget management and final accounts can therefore be seen as related parts of a continuous process of financial management by the Authority. This part of the report sets out some of the key strategic issues managed by the Authority during 2012/13.

General Fund

1.9 The budget for 2012/13 was approved by full Council at its meeting of 1 March 2012. The net General Fund revenue budget was set at £169.974m, which represented a reduction of £5.794m (3.3%) over 2011/12 spending levels. The budget also included a contribution to the Strategic Reserve of £1.400m.

1.10 Monitoring reports throughout the year have projected a financial pressure. However, actions taken throughout the year have brought the position in on budget, with a small surplus for the year of £0.146m.

Settlement of Equal Pay Claims

1.11 The Authority's Statement of Accounts for 2011/12 showed that outstanding claims with an estimated total cost of £15.128m had been received from employees. Over the course of 2012/13 payments of £5.580m claims have been made.

1.12 The provision for Equal Pay claims at 31 March 2013 stands at £9.080m. This comprises £5.845m in respect of tax and national insurance and £3.235m relating to claims.

1.13 Equal pay settlements are intrinsically a revenue item, but previously approval to capitalise expenditure has been given by the Secretary of State, as allowed by Capital Financing Regulations. These regulations have recently been amended, whereby the approval of the Secretary of State is no longer required. However, Equal Pay payments must be funded by capital receipts or otherwise met from the revenue budget. In view of the pressures on capital receipts a provision has been made from the 2012/13 revenue budget of £1.797m to fully fund the Equal Pay provision as shown in Table 1 on page 7.

Treasury Management

1.14 The level of actual external borrowing (excluding PFI) increased from £446.111m to 451.281m. This reflects the capital plan and the level of internal funding.

Financing the Capital Plan

1.15 One of the pressures on the Council's capital plan throughout 2012/13 has been the level of capital receipts needed to finance the general fund plan. The budget approved on 1 March 2012 included a requirement of £9.419m General Fund capital receipts. This increased to £11.630m following reprogramming from 2011/12. Subsequent variations and reprogramming during 2012/13 gave a revised General Fund receipts requirement at March Cabinet of £7.134m. Further reprogramming at the year end resulted in a final requirement of £5.033m. Available General fund capital receipts amounted to £1.974m for 2012/13 which resulted in a shortfall in funding of £3.059m. This shortfall has been met by prudential borrowing. The position on capital receipts was considered during the 2013/14 budget setting process and the impact of additional borrowing has been reflected in the 2013/14 revenue budget.

1.16 The position with regard to the General Fund capital receipts remains a risk to the Authority and continues to be closely monitored. In recognition of this, in recent years there has been no additional General Fund capital receipts requirement included in the financing of the capital plan.

Forward Planning

1.17 As explained above, 2012/13 was a challenging year in terms of the financial pressures that the Authority faced. However, the Authority was able to manage these issues through its forward planning process, its close monitoring and in-year management of the budget and by pro-active measures to address such issues as Equal Pay.

1.18 Continuing financial pressures are set to be a feature of Local Government settlements for the next few years. The experience of 2012/13, once again, reinforces the crucial importance of detailed forward planning, a strong balance sheet, close management of the core budget, a regular monitoring and reporting process and a flexible approach to managing uncertainty.

Section 2: General Fund Income and Expenditure

Introduction

2.1 At its meeting of 1 March 2012, full Council approved a total General Fund Revenue budget of £169.974m for the financial year 2012/13.

2.2 The summary outturn for the General Fund Revenue Account is shown in Table 1 This shows the outturn for each directorate compared to budget and then gives a breakdown of major items of corporate expenditure.

- 2.3 The directorate outturns show in total an overspend of £1.286m against their approved budgets. The contingency budget of £3.469m is held within Non-delegated budgets and this is underspent by £2.719m. The contingency budget was set aside to manage issues specifically in relation to General inflation, Demand-led pressures and the CEI Programme. The outturn is an overall improvement of £1.127m against the year-end projections reported to Cabinet on 11 March 2013.

2.4 Non-delegated budgets came in with an underspend of £3.148m. This represents a change of £0.845m since the last report to Cabinet. Details of the main items of variation are given in paragraphs 2.25 to 2.28.

Table 1: 2012/13 General Fund Revenue provisional outturn summary to 31 March 2013

Position as at 31 March 2013				
	Full year Budget	**Provisional Outturn**	**Provisional Outturn Variance as at 31 March 2013**	**Forecast Outturn variance as at 31 January 2013**
Net Expenditure	**£m**	**£m**	**£m**	**£m**
1 Children Young People and Learning	32.197	32.707	0.510	0.581
2 Community Services	87.320	87.219	-0.101	0.899
3 Finance and Resources	3.914	3.520	-0.394	-0.107
4 Chief Executive's Office	9.847	11.048	1.201	1.040
5 Carry forward requests	0.000	0.070	0.070	0.000
Sub-total Service Approved budget	**133.278**	**134.564**	**1.286**	**2.413**
Non Delegated budgets				
6 Corporate and Democratic Core	15.141	15.380	0.239	0.000
7 Corporate Accounting	5.358	1.721	-3.637	-2.450
8 Contingency budget	3.469	0.750	-2.719	-2.719
9 Levies	12.728	12.731	0.003	0.003
10 Equal Pay	0.000	1.797	1.797	0.000
11 Utilities	0.000	0.901	0.901	1.173
12 Staff Capitalisation	0.000	0.268	0.268	0.000
Sub-total non delegated budgets	**36.696**	**33.548**	**-3.148**	**-3.993**
Net provisional deficit/(surplus) before carry forward approval	**169.974**	**168.112**	**-1.862**	**-1.580**
Movement on Reserves				
13 Approval of carry forward requests	0.000	-0.070	-0.070	0.000
Net provisional deficit/(surplus) after carry forward approval before exceptional items	**169.974**	**168.042**	**-1.932**	**-1.580**
Exceptional items				
14 Planning Appeals	0.000	0.318	0.318	0.764
15 Flooding costs	0.000	0.369	0.369	0.500
16 Redundancies provision	0.000	1.169	1.169	1.200
Sub total Exceptional items	**0.000**	**1.856**	**1.856**	**2.464**
Net provisional deficit/(surplus) after exceptional items	**169.974**	**169.898**	**-0.076**	**0.884**

Directorate Outturns

2.5 Individual directorate outturns by service area are shown in Appendices A to E, showing spend against budget. A summary of the outturn for each directorate follows:

Children, Young People and Learning (CYPL) - £0.510m overspend

2.6 CYPL can report that the budget position for 2012/13 improved slightly from the forecast overspend of £0.581m in January to a final outturn of £0.510m overspend.

2.7 The final outturn for each service area is broadly in line with the forecast position brought in January. The main pressures the Directorate experienced in 2012/13 are those reported throughout and are:

- Corporate Parenting & Placements costs in and out of borough;
- Increased expenditure due to increased demand to support children ‘in need’ (Section 17 payments);
- Transport costs associated with Childrens Disability Services; and,
- A shortfall in overheads eligible to be charged to grant in the Schools, learning and skills service

2.8 The revenue budget position in CYPL was monitored extremely closely during the year with reports coming to CYPL leadership team on at least a monthly basis. The Directorate were forecasting a potential overspend of £0.617m as early as May 2012 and this increased to a peak of £0.993m in September 2012, however due to a proactive and collective approach to managing the budget, a small but steady improvement was achieved during the year. This included ensuring all unnecessary expenditure was avoided and all opportunities to make savings, or secure additional income, were achieved. These underspends and additional income were seen most specifically in:

- Area Childrens teams and early years activity, coupled with additional income since introducing the 2-year old education offer;
- Youth Services, Youth Offending & Prevention Services; and,
- School improvement service

Community Services - £0.101m Underspend

2.9 Despite the residual problems in the Transport Account that have previously been reported to Cabinet, the Directorate spent less than budget in 2012/13 once the energy pressures of £0.108m and rates pressures of £0.288 were appropriately assigned corporately. A growth bid was incorporated within the 2013/14 Budget setting process to reduce the corporate energy and rates pressure.

2.13 Adult Social Care has a net underspend of £0.009m. As can be seen from Appendix B, which shows the outturn by individual service areas, pressures were recorded in Provider Services Learning Disability (LD) & Mental Health (MH) (£0.114m), Commissioned Services LD & MH (£2.489m) and Reablement & Assessment (£0.046m). Pressures in these Service Areas have been consistently reported during the year, reflecting demand-led issues in these areas, both in terms of the number of cases and the complexity of needs.

2.14 These pressures were offset by underspends in Personalisation – Care Coordination (£0.119m), Personalisation –LD & MH (£0.042m) and Commissioned Services Older People (£0.563m), where the Council's policy to support to people to remain, where appropriate, in their own homes rather than entering expensive residential care has kept costs down. In addition, Adult Services Central costs showed an underspend (£1.935m) where the final balance of the £1.000m Social Care Reform Grant carried forward from 2011/12 was released and the authority received Winter Pressures funding from the Department of Health (£0.348m), both of which were used appropriately to support spending in the service areas.

2.15 Environmental Services showed a small net overspend of £0.020m despite significant pressure relating to transport. There were £0.883m of transport pressures in the services, mainly Waste Strategy and Street Environment, but this is compensated for in part by £0.383m of savings within the Transport Account itself which is reported within Fleet and Security. The Transport Account saving has been achieved by continuing to use vehicles beyond their useful life, which could only ever be a short term strategy. A growth bid of £0.500m for transport pressures is included in the approved 2013-14 Budget. There were compensating underspends in Bereavement (£0.273m) due to income significantly higher than budget and both Waste and Street Environment managed to offset some of the transport pressures from reduced supplier spend in waste and reduced staffing in Street Environment. Following a decision by Cabinet the garden waste subscription was refunded (Savings target £0.250m). £3.35m of Weekly Collection Support Grant was awarded in year in to finance some specified projects but also to fund a five year commitment to retaining weekly refuse collection and £0.210m of this grant was used in 2012-13 to support the waste service.

2.16 Cultural and Customer Services had a net underspend of £0.009m. Pressures of £0.065m arose in Outdoor Parks, partly due to improvements at Killingworth Lake. Arts, Tourism and Heritage (ATH) overspent by £0.337m partly due to Cabinet's Implementation Plan (£0.122m) but also due to cost pressures of running and maintaining the Council's ATH buildings and delays in changes to operating models for some of these assets which were planned to have transferred for community use in year. Sports & Leisure underspent by £0.326m, partly due to increased income, £0.098m relating to Implementation Plan decisions. There was also a drive to reduce discretionary spend across the services. Joint Service pressures within Dudley & Shiremoor were offset in part by the later than originally planned opening of Whitley Bay Joint Service Centre.

2.17 Housing Services (General Fund) underspent by £0.019m and Community Services Central Costs by £0.084m, largely as a result of careful management of discretionary spend.

Finance and Resources - £0.394m underspend

2.14 The Finance and Resources Directorate continued to seek savings in the final months of the year, as reported in January, scrutinising all budgets at its disposal and all means of securing value for money from its expenditure budgets and maximising income. As a result the forecast at January of an underspend of £0.107m improved to £0.394m at year end.

2.15 The main savings the Directorate were able to make in 2012/13 were:
- Savings on audit fees due to changed external arrangements;
- Implementation of the Balfour Beatty partnership by 1st November 2012;
- Savings in respect of PFI arrangements for Street lighting; and,
- Improved Kier Management Fee income.

Chief Executive's Office - £1.201m overspend

2.16 The **Chief Executive's Office** faced significant budget pressure in year and the year end position is £0.161m worse than the position in the last report to Cabinet. The majority (£0.991m) of the overspend arose in Regeneration, Development and Regulatory (RDR) services where there were significant pressures relating to Strategic Property, including pressure due to the reversal of TWEDCO backdated ground rent and rates. Strategic Property is now included within RDR having previously been included in Finance and Resources and overall overspent on budget by £1.039m across non-operational buildings, operational buildings and those surplus to requirements. It has only become apparent after the decision was taken to wind up TWEDCO that £0.120m of outstanding rates due to the Authority would not be paid and this pressure was therefore not reflected in the forecast at January 2013. Savings due to surplus to requirement assets were offset in year by dilapidations at Unicorn House and there was circa £0.300m of Quadrant lease inflation pressure and a shortfall on commercial rental income due to the continued depressed economic climate.

2.17 Within the rest of RDR the overspends in Consumer Protection largely due to reduced demand for disabled facilities grant from residents with an associated drop off in fee income (£0.073m) and in Transport, Planning & Highways due to pressures in traffic safety income and gully cleansing costs (£0.117m) are more than offset by an improved planning position due to increased planning income (£0.030m), £0.108m of supplies and services savings within Resources & Performance and £0.040m of additional income within Energy Management

2.18 The cost of employing external consultants for planning appeals, where the Planning Committee have declined to grant planning permission against officer advice, is predicted to be around £0.318m and is shown separately under exceptional items.

2.19 Business and Enterprise is now included within RDR having previously been included in Children, Young People & Learning and the service has delivered a small saving of £0.047m through year-end adjustments for union recharges (£0.030m) and additional income from town centre management.

2.20 Legal Governance and Commercial had pressures of £0.044m which reflected a slower than expected take up of Legal Services to Housing Associations through the collaborative arrangements with Newcastle City Council and time taken to secure consensus to a proactive marketing approach. The Chief Executive post had pressures of £0.117m as a result of the changes within the Implementation Plan.

2.21 Strategic Services delivered a small net overspend of £0.048m which included a pressure of £0.146m relating to Communications mainly around advertising income shortfalls, which was largely compensated for by savings across all other areas.

Carry Forward Requests

2.22 One request for carry forward of unused budgets have been received in respect of Apprenticeship schemes, which Cabinet is recommended to consider.

2.23 On 11 February 2013 Cabinet agreed to provide £0.084m to support the further development of the Council's apprenticeship and training programme, with a particular focus on working with the business partners Balfour Beatty and Capita Symonds. Given the date of the decision it was not possible to implement this programme in full by 31st March and therefore a carry forward request for £0.070m has been made by CYPL Directorate in order for them to complete this work in 2013/14.

Non-delegated budgets

2.24 Overall these budgets show a net underspend of £3.148m.

2.25 In terms of **Corporate Accounting** the main variations arise from: Interest savings of £2.529m which arise from lower interest rates on short term borrowing and maximising the use of internal resources, refund following reviews by central government of the adjustments in 2011/12 and 2012/13 to Local Authority formula grants in respect of academies £1.110m, increase in the bad debt provision by £0.898m largely arising from an increase in Benefit debtors, a reduction in the Minimum Revenue Provision (MRP) required of £0.301m following a review of asset lives, a saving on Strain on the fund £0.495m arising from the timing of re-organisations associated with the CEI programme, a one –off receipt of £0.311m from Newcastle Airport as a result of the re-financing of loans completed during 2012/13 and additional cost of £0.250m resulting from the payment of £250 to include school based staff.

2.26 This section also includes the **Contingency** budget of £3.699m. The final use is shown in Table 2 below, leaving an underspend of £2.719m where the budget has not been allocated to specific services.

Table 3: 2012/13 Contingency Budget

	General £m	0-2 year olds £m	Total £m
Budget	**3.469**	**0.230**	**3.699**
Expected usage:			
0-2 year olds	0	(0.230)	(0.230)
36 hour week	(0.730)	0	(0.730)
Over £50k voluntary reduction	(0.020)	0	(0.020)
Balance not allocated to specific Services	**2.719**	**0**	**2.719**

2.27 Since the report to Cabinet 11 March 2013 the final regulations in respect of the funding of Equal pay settlements in future years was received. These regulations confirm that any future settlements that fall outside any existing capitalisation approvals could be funded through capital receipts. If capital receipts are not available the funding of the settlements would fall to the revenue budget in the first instance. The overall variations on the non-delegated budgets have allowed for the funding of outstanding equal pay claims that were previously held in the Equal Pay Back pay account of £1.797m. This reduces the risk of funding equal pay settlements in 2013/14.

2.28 Throughout 2012/13 the Financial management reports have highlighted cost pressures in respect of the cost of utilities. Projects continue to be delivered that aim to support services as they take action to reduce consumption of both gas and electricity, but rising unit costs continue to negate the impact of those actions. Action has been taken 2013/14 budget to address the pressures on utility cost, whilst recognising that work continues to reduce overall consumption.

Exceptional items

2.29 **Planning Appeals:** There has been a pressure reported during the year arising from the employment of external consultants for planning appeals, and associated costs if appeals are awarded against the authority. The final cost of £0.318m pressure relates to Whitehouse Farm (previously estimated at £0.369m).

2.30 **Flood damage:** The final costs associated with the flooding caused on 28 June 2012 is £0.369m, a reduction of £0.131m since the report to Cabinet on 11 March 2013. The original estimate had included an estimate for emergency footpath and road repairs. These works have now been reviewed, prioritised and built into future planned works rather than having more temporary works charged to revenue in year.

2.31 **Redundancies:** As set out in the report to Cabinet 11 March 2013, accounting standards require that we make provision for estimated redundancy costs as soon as plans are identified. Included in this outturn position is £1.169m in respect of an estimated 120 posts identified as part of the 2013/14 CEI programme.

Final Position on Reserves and Provisions

2.32 The Reserves and Balances Policy approved by Council at its meeting of 23 February 2010 stated that "*Within the existing statutory and regulatory framework, it is the responsibility of the Head of Strategic Finance (Chief Finance Officer) to advise the Council about the level of reserves that it should hold and ensure that there are clear protocols for their establishment and use*". Sections 25 to 27 of the Local Government Act 2003 also requires the Chief Finance Officer to report on the adequacy of financial reserves. This is specifically in relation to the budget setting process but decisions made during the year and as part of final accounts will also have significant implications for future years' financial planning.

2.33 In practice, the level of each reserve is assessed separately with reference to the specific liabilities that the reserve relates to. The reserves are reviewed individually to ensure their adequacy in relation to any factors that have become apparent since the previous year.

2.34 As part of the final accounts process, and in line with the Reserves and Balances Policy, the level of reserves have been reviewed by the Chief Finance Officer, Deputy Chief Finance Officer, Mayor, and Cabinet Member for Finance. Following this review the general fund surplus of £0.076m for 2012/13 which is proposed to be transferred to the Strategic Reserve.

2.35 Consideration has also been given to the advice of the Chief Executive and Senior Leadership Team in relation to future commitments that need to be addressed as part of the 2012/13 final accounts process.

2.36 Taking the reserves as a whole – that is, the General Fund Balance, General Fund Earmarked Reserves, Schools Balances and HRA Balance – the total of all reserves and balances at the end of 2011/12 was £40.963m. The figure for 2012/13 is £40.428m, a change of £0.535m, and is detailed in Appendix J. This includes the proposed carry forward of £0.0.70m detailed in section 2.23 above.

.

Section 3: Housing Revenue Account Income and Expenditure

3.1 The Authority is the major provider of rented accommodation in the borough and is required to account separately for the income and expenditure relating to its housing stock. On the 15 February 2012 the Council approved the Housing Revenue Account (HRA) budget, which included average rent increases of 8.12% and included income and expenditure of £56.540m.

3.2 The detailed HRA outturn for 2012/13 is set out in Appendix F and shows a final contribution from balances of £2.099m. This contribution is only £0.059m lower than budget but reflects the strategy agreed by Cabinet in August 2012 to make additional revenue contributions to capital in year to provide funding for the new build schemes at Station Road and Byrness Court. The intention was to fund this from increased brought forward balances from the improved position reported for 2011/12 but in fact it was funded from savings generated in year.

.

3.3 Rental and service charge income is £0.289m better than budget for a number of reasons. As in 2011/12 there are a high level of empty properties in the Authority's sheltered stock and there are a number of properties awaiting demolition at Hedley Place, Byrness Court and Bude Court, however the remaining level of voids within the General Needs stock is very low, and this has been reflected in improved rent collection (£0.068m). In addition the reconfiguration of the Temporary Emergency Accommodation (TEA) service, with the operation of the New Beginnings service, increased use of Dispersed properties, and the continued use of Alexander Street, have also resulted in increased revenue above the levels previously predicted (£0.130m), and there has also been an increase in service charge income due to the increased take-up of furnished tenancies (£0.091m).

3.4 In relation to commercial properties a "windfall" of backlog rental income was achieved on leases that were re-negotiated, resulting in an improvement against budgeted income of £0.033m.

3.5 Overall expenditure is £0.282m more than budget, with variations over a number of areas. The total estimated savings from the HRA debt portfolio totalled £0.981m in 2012/13, and consisted of three main elements:-

i) Self-Financing loans - £128.193m of loans taken out with Public Works Loan Board over periods ranging from 25 to 50 years, achieved final savings against budget estimated at £0.650m;

ii) Savings on split of Council's pre-self-financing existing debt between HRA and the General Fund, some achieved via temporary borrowing, estimated in total at £0.296m; and,

iii) Savings on Debt Management Expenses (DME) re staff time and loan arrangement fees, and external debt advice estimated at £0.035m.

As agreed by Council the savings on the debt portfolio along with a small underspend on the HRA's grounds maintenance costs, were transferred to the newly formed House-building Fund (£1.019m), which also included an original budget contribution of £0.065m from the final self financing debt settlement.

3.6 Management costs have seen significant overall savings of £0.492m due to a range of issues: Water Rates Commission – an additional £0.044m in commission over budget, and a one off windfall of £0.080m on reconciliation of the water rates accounts; Insurance Commission increased income of £0.008m over budget, due to improved terms; Contribution to overheads from Right to Buy(RTB) and Leaseholders budgets(£0.057m); improved recovery of court cost income (£0.060m); savings against estimated pension and national insurance contributions (£0.100m) schemes; anticipated overspends on PFI being mitigated as a consequence of delays resulting from additional Government requirements and an extended sign off process, which will mean the movement of some costs originally planned in 2012/13 into 2013/14, mainly in relation to external project support costs.

3.7 Additional underspends have been realised through a reduced call on the in-year bad debt provision applied of £0.098m as a result of improved management of rent arrears.

3.8 2012/13 has been the third full year of trading with our joint venture partner Kier North Tyneside Limited. Total payments on revenue repairs were £0.095m above budget, in relation to a range of additional works and costs, particularly flooding, fencing and re-roofing repairs.

3.9 Revenue Contributions to Capital were also £0.757m over budget, this was a strategy agreed by Cabinet in August 2012, as part of the funding solution for the new build schemes at Station Road and Byrness Court, to use the excess revenue balances realised in 2011/12 of £0.837m.

3.10 Overall HRA balances at the year end are £2.199m, an improvement of £0.896m, which is as a result of the in year improvement against budget of £0.059m and an increase in brought forward balances of £0.837m.

Section 4:
Schools Finance

4.1 Schools have concluded their 2012/13 closure exercise in line with the Local Scheme for Financing schools and the Council's closure timetable. Collective school balances in North Tyneside maintained schools has decreased from £6.726m at the start of the financial year to £6.054m. Despite this reduction overall school balances remain strong and in line with the level we would want. As reported previously to Cabinet, whilst it is reasonable for individual schools to hold a small balance at year end to enable them to plan and manage their budget over the longer term, we would not want to see overall school balances increase further as this money should be spent for the benefit of children in school today.

4.2 On 1st September 2012 Moor Edge school converted to Grasmere Academy. In doing so the Academy school retains the surplus balance from the predecessor maintained school and joins St Thomas More Academy as being no longer reported as part of the local authority's accounts. The overall balance at the start of the financial year of £6.726m included Moor Edge's balance of £0.033m, whilst the balance at the end of 2012/13 no longer includes this.

4.4 During the year the Council and Schools Forum pay particular attention to those schools with approved deficit budgets. There were 7 schools with a deficit approval for 2012/13. Due to the close monitoring and management in schools, in tandem with the support and challenge provided to these schools by the Schools Forum and Local Authority staff, the position improved so that by year end only 5 of these schools were in deficit at year end.

4.5 Supporting individual schools in temporary financial difficulty and enabling them to return to a balanced budget will remain a priority for North Tyneside.

4.6 As in previous years, the details of these balances will be reported to the Department for Education (DfE) through the Consistent Finance reporting (CFR) return. This return will be co-ordinated by the Local Authority and submitted by the deadline of 19th July 2013. The CFR data is then used to pre-populate part of the Section 251 return that is submitted to the DfE by 23rd August 2013 and verified in September. Full details of each individual school's balance will then be reported to Cabinet.

4.7 Overall, and after allowing school allocations, the Dedicated school grant (DSG) in 2012/13 of £127.374m (after removing Academies) underspent by £2.237m. As the DSG is a ring-fenced grant, any under or overspends are carried forward into the next financial year in order to be addressed within the following year's ringfenced grant. This underspend has therefore been carried forward into 2013/14.

Section 5: Capital Plan Expenditure and Financing

5.1 The Council's Capital Plan represents the Council's capital investment programme in projects across all service areas, including General Fund and HRA activities.

5.2 The Capital Plan covers a ten-year period. The estimates and amounts in relation to the 2012-22 Capital Plan approved by Council on 1 March 2012 totalled £346.186m. Delivery of the Capital Plan year by year, through both physical on site development and capital spend, is key to the successful attainment of the Authority's objectives.

5.3 Spend in 2012/13 was £40.582m against a revised budget of £53.686m.

5.4 Progress on major schemes in year include:

- DV058 – Swan Hunter redevelopment: The regeneration and redevelopment of this key riverside employment site has moved forward significantly during 2012/13. External grant of £13.8m has been obtained for a range of infrastructure works including new site internal and external access roads, quay wall improvements, quayside strengthening, utility provision and dredging of the quayside berths. Work has commenced and will continue throughout 2013/14 to make the site attractive to new businesses;

- ST014 – North Shields Customer First Centre: The refurbishment and alteration of the Central Library building to become a new Customer First Centre commenced on site in October 2012 and is on programme for reopening in June 2013;

- ED075 – Devolved Formula Capital. This funding was used to support school led minor capital projects, including ICT. All expenditure is at the discretion of individual schools but continues to be in partnership with the Local Authority. As well as traditional building works devolved capital also incorporates schools' ICT capital purchases. The Education Capital Team were involved with approximately 40 separate projects with a value of about £1m during the 2012/13 financial year;

- ED132 – Capital Maintenance. This budget head relates to works associated with improving the condition of schools such as new windows, new roof and replacement heating systems. In addition this budget supports the delivery of DDA (physical) Improvements to individual schools including supporting pupils with visual and hearing difficulties and pupil movement. During 2012/13 the Education Capital Team delivered 52 separate projects linked to the delivery of the most urgent condition projects. All individual projects were successfully completed.

- ED120 – Basic Need. This budget head has been used to support the wider review of the school estate with regard to suitability/curriculum issues to be addressed within individual schools. The priorities were agreed following consultation with all schools. The investment proposals covered 11 separate projects and were planned to be delivered over a 2 year period (2012/13 and 2013/14). During 2012/13 works were completed at 6 schools with works ongoing at the remaining 5 schools;

- HS002 - Housing projects included the delivery of 540 Kitchen and Bathroom replacements, 540 Electrical upgrades, 816 Boiler replacements and 12 Window and Door replacements;

- DV048 – Roads & Pavements. This work predominantly involved road resurfacing schemes in streets selected by residents at Area Forums. A total of 64 streets were resurfaced. This work complements the Local Transport Plan Annual Surfacing Programme and supports the aims and objectives set out in the Council's Highway Asset management Plan. The work was well received by residents.

- EV034 – Local Transport Plan (LTP)
  The LTP programme is split into 2 areas. The first is Highway Maintenance which involves maintaining the Borough's highway assets in line with the Highway Asset Management Plan. The majority of the work is focused around road resurfacing and maintenance of highway structures. Main works in 2012/13 were:
  - Completion of Rockcliffe Viaduct major refurbishment scheme;
  - Resurfacing and improvement of 28 roads, many of these on large sections of the strategic road network (main A and B roads);
  - Demolition of Shiremoor Wagon Way bridge; and,
  - Completion of 19 principal bridge inspections.

  The second area of the LTP is Integrated Transport. This involves work around road safety, parking, network management and public transport. Main works in 2012/13 were:
  - Completion of 8 road safety schemes including new pedestrian crossings, pedestrian islands and traffic calming schemes;
  - Expansion of parking permit and traffic management scheme;
  - Further development of parking camera enforcement vehicle; and,
  - Completion of Baliol Business Park bus-only link road

5.5 The remaining sections of this report include details of the actual capital expenditure incurred through the delivery of the Capital Plan in 2012/13 and how that expenditure has been financed.

2012/13 Capital Expenditure

5.6 The initial 2012/13 Capital Plan budget was £43.734m (£27.437m General Fund and £16.297m Housing). Further variations to the Plan and reprogramming were agreed by Cabinet during the year as part of the Financial Monitoring process to give an approved plan at the year-end of £53.686m (£34.849m General Fund and £18.837m Housing). Table 2 below summarises these changes, with further detail set out in Appendix G.

Table 2: Capital Plan 2012/13 – Summary of changes to budget

	£m
Capital Plan approved by Council – 1 March 2012	43.734
Reprogramming from 2011/12	14.461
Reprogramming to 2013/14	-9.761
Other variations (net)	5.252
Revised Capital Plan approved by Cabinet – 11 March 2013	53.686

5.7 Actual capital expenditure in 2012/13 totalled £40.582m (£48.463m in 2011/12), comprising General Fund expenditure of £23.318m and £17.264m on Housing Schemes.

5.8 Not all of the expenditure relates to the creation of new fixed assets for the Council. £7.349m relates to spend on other items, with £2.456m given as regeneration and improvement grants, £4.658m relating to spend in respect of Trust schools and £0.235m for the purchase Newcastle Airport shares from Darlington Council.

5.9 Table 3 below compares the actual capital expenditure with the revised budget for the year, as well as the actual spend for 2012/13. This demonstrates a slight reduction in the level of spend year on year and a variation against budget of £13.104m credit.

Table 3: Comparison of Capital Expenditure to Revised budget for 2012/13

Actual Capital Expenditure 2011/12 £m		Revised Capital budget 2012/13 £m	Actual Capital Expenditure 2012/13 £m	Variation from budget over (+) / under (-) £m
34.803	General Fund	34.849	23.318	-11.531
13.660	Housing	18.837	17.264	-1.573
48.463	Total	53.686	40.582	-13.104

5.10 Included within the appendices is further information on the Capital Plan and activities in the year. Appendix H shows the final expenditure for each directorate, and how that expenditure was financed, with Appendix I showing a comparison of expenditure against budget for each individual project. The reasons for these variations have been analysed as reprogramming, over or underspending, and other variations

5.11 Across all capital projects, further reprogramming of £12.365m has been identified and it is requested that Cabinet approve the carry forward of this amount into the

2013/14 Capital Plan. A detailed breakdown of this amount is included in Appendix I.

Capital Financing

5.12 Local authorities can finance capital expenditure from a variety of sources: grants; external contributions; capital receipts; borrowing; and contributions from revenue. This section of the report considers how the Capital Plan has been financed.

5.13 Under the Prudential System for capital financing, the Council can decide to borrow to fund capital expenditure, known as prudential (or unsupported) borrowing. There are associated revenue costs (interest and Minimum Revenue Provision (MRP)) which must be met from the Council's own resources, i.e funded by Council Tax payers. MRP is a charge included in the Council's accounts that effectively spreads the cost of capital expenditure over a period that generally equates to the period in which the asset is used. When deciding whether to take out additional borrowing, the Council must consider whether the Capital Plan is affordable, sustainable and prudent.

5.14 When determining how to finance the Council-funded element of the Capital Plan, the Council's MRP Policy is used to maximise the effectiveness of borrowing in relation to individual schemes in the Capital Plan. Those schemes with longer asset lives (eg major building works) are financed using prudential borrowing, thereby spreading the MRP charges over a longer period, whilst those with shorter asset lives (eg equipment) are financed using capital receipts.

5.15 The total capital expenditure of £40.582m has been financed as shown in Table 4 below.

Table 4: 2012/13 Capital Financing

	2012/13 Capital Financing £m
Council Contribution	
Prudential (Unsupported) Borrowing – General Fund	5.349
Capital Receipts -General Fund	1.974
Capital Receipts - HRA	137
Direct Revenue Funding - General Fund	257
Direct Revenue Funding - HRA	3.950
Strategic Reserve	1.714
Major Repairs Allowance	12.903
	26.284
External funding	
Specific Government Grants	11.755
Capital Grants and Contributions	2.543
	14.298
	40.582

5.16 Total Prudential borrowing for the General fund was £5.349m and included borrowing incurred to cover the shortfall in capital receipts. The additional borrowing is within the Capital Financing Requirement.

5.17 The budget approved by Council on 1 March 2012 included £9.419m General Fund capital receipts. This increased to £11.630m following reprogramming from 2011/12. Subsequent variations and reprogramming into 2012/13 gave a revised General Fund capital receipts requirement at March Cabinet of £7.134m. Total General Fund receipts available to fund spend in 2012/13 amounted to £1.974m (£1.944 of in year receipts and £0.030m brought forward from previous years). Following further reprogramming at year end of £2.101m, due to the timing of delivery of projects, the final requirement for General Fund capital receipts in 2012/13 was £5.033m leaving a shortfall in funding of £3.059m. Prudential Borrowing has been used to fund the shortfall, the impact is built into the budget. The capital receipts requirement for 2013/14 is £8.914m as agreed during the budget setting process.

5.18 The budget approved by Council on 1 March 2012 did not include the use of capital receipts to finance the Housing capital plan. However, subsequent reprogramming has given a budget of £0.557m against which £0.137m has been spent.

5.19 Actual useable capital receipts of £4.400m (£1.966m General Fund and £2.434m Housing) were received during 2012/13. This is after pooling of £1.318m to Right to Buy receipts.

5.20 Table 5 below shows the movement in actual capital receipts during 2012/13.

Table 5: Movement in Capital Receipts during 2012/13

	Receipts brought forward 1 April 2012 £m	**Net Useable Receipts £m**	**Receipts used for financing £m**	**Receipts set aside for repayment of debt £m**	**Receipts carried forward 31 March 2013 £m**
General Fund	0.030	1.966	-1.973	0.000	0.023
Housing	4.180	2.434	-0.137	-1.313	5.164
Total	4.210	4.400	-2.110	-1.313	5.187

5.21 The Council also received £11.755m of funding through specific Government grants. These grants included:

- £6.974m Standards Fund for schools;
- £3.324m Local Transport Plan;
- £0.736m Disabled Facilities; and,
- £0.218m Growth Fund

5.22 Capital Grants and Contributions of £2.543m used in the year included:

- £0.918m Heritage Lottery Grant; and,
- £0.388m Football Foundation Grant

5.23 As part of the introduction of self financing for Housing an assessment was made by DCLG in respect of the Major Repairs Allowance that would be required to finance ongoing works to Council Dwellings. There is a requirement for the Major Repairs Allowance to continue under self financing. This contribution is now financed from within the HRA (ie it is self financed) and so appears as part of the council contribution shown in Table 4 above.

5.24 An analysis of the overall capital financing across individual directorates is also shown in Appendix H.

IFRS adjustments to Capital Expenditure in 2012/13

5.25 Under IFRS any expenditure incurred relating to PFI schemes and finance leases is classed as capital expenditure and the resulting assets are added to the Council's balance sheet.

5.26 During 2012/13 spend of £0.208m was incurred under the PFI contract as part of the ongoing replacement of street lighting across the borough. In addition, the new Customer First Centre opened at Whitley Bay with capital spend of £7.471m being incurred through the PFI contract. These costs were incurred by the PFI provider and are included within the unitary charge paid as part of the contract.

Section 6:
Treasury Management

6.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2012/13. This section of the report meets the requirements of both the CIPFA Code of Practice on Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities.

6.2 The primary reporting requirements of the Code are as follows:

a) Forecast the likely activity for the forthcoming year (in the Annual Treasury Management Strategy Report);

b) A mid – year review report; and

c) Review actual activity for the preceding year, including a summary of performance.

Treasury Position as at 31 March 2013

6.3 The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.

6.4 The Council's debt and investment position at the beginning and the end of 2012/13 is shown in Table 6 below:

Table 6: Treasury Management Position

	31 March 2013 Principal £m	**Rate/Return %**	**31 March 2012 Principal £m**	**Rate/Return %**
Fixed Rate Funding:				
-*PWLB long - term	264.750	5.70	284.750	5.42
(HRA-Self Financing)	128.193	3.49	128.193	3.49
-Market (LOBO's)	20.000	4.35	20.000	4.35

-Temporary	38.338	0.40	13.168	0.97
Total External Debt	**451.281**		**446.111**	
Investments: **-** In-house	5.700	0.25	1.600	0.25
Total Investments	**5.700**		**1.600**	
Net Position	**445.581**		**444.511**	

*Public Works Loan Board

Performance Measurement

6.5 One of the key requirements in the Treasury Management Code was the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as main guide, as incorporated in Table 6 above.

The Strategy for 2012/13

6.6 The expectation for interest rates within the strategy for 2012/13 anticipated low but rising Bank Rate with similar gradual rises in medium and longer term fixed borrowing rates over 2012/13. Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

6.7 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and reduce counterparty risk.

6.8 The actual movement in gilt yields meant that PWLB rates fell during the first quarter of the year to historically low levels. This was caused by a flight to quality into UK gilts from European Union (EU) sovereign debt and also from shares as investors became concerned about the potential for a meltdown of financial markets if the Greek debt crisis were to develop into a precipitous default and exit from the Euro. During the second and third quarters, rates rose gradually and agreement of a second bail out of Greece in December 2012 saw the flight to quality into gilts reverse as confidence rose that the Eurozone crisis was finally subsiding. However, gilt yields then fell back again during February and March 2013 as Eurozone concerns returned, with the focus now shifting to Cyprus, and flight to quality flows into gilts resumed. This was a volatile year for PWLB rates, driven by events in the Eurozone which oscillated between crisis and remedies.

The Economy and Interest Rates

6.9 The financial year 2012/13 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk. The original expectation for 2012/13 was that Bank Rate would start gently rising from quarter 4 2014. However, economic growth in the UK was disappointing during the year due to the UK austerity programme, weak consumer confidence and spending, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market – the EU.

610 Weak UK growth resulted in the Monetary Policy Committee increasing Quantitative Easing (QE) by £50bn in July 2012 to a total of £375bn. Bank Rate, therefore, ended the year unchanged at 0.5% while Consumer Price Inflation (CPI) has remained high and above the 2% target, starting the year at 3% to end at 2.8% in March 2013; however, it is forecast to fall to 2% in three years time.

6.11 The EU sovereign debt crisis was an ongoing saga during the year, with first Greece and then Cyprus experiencing crisis which were met with bailouts after difficult and fraught negotiations.

6.12 Gilt yields oscillated during the year as events in the ongoing Eurozone debt crisis ebbed and flowed, causing corresponding fluctuations in safe haven flows into / out of UK gilts. This, together with a further £50bn of QE in July 2012 and widely expected further QE still to come, combined to keep PWLB rates depressed for much of the year at historically low levels.

6.13 The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks and this has resulted in money market investment rates falling sharply in the second half of the year. However, perceptions of counterparty risk have improved after the European Central Bank (ECB) statement in July 2012 that it would do “whatever it takes” to support struggling Eurozone countries. This has resulted in some return of confidence to move away from only very short term investing.

Borrowing Rates in 2012/13

6.14 Table 7 to this report shows the PWLB maturity borrowing rates for a selection of maturity periods, the high and low points in rates, the average rates and individual rates at the start and end of the financial year.

Table 7: PWLB Borrowing Rates 2012/13 for 1 to 50 years

Years	1 %	1-1.5 %	2.5-3 %	3.5-4 %	4.5-5 %	9.5-10 %	24.5-25 %	49.5-50 %
02/04/2012	1.290	1.350	1.600	1.820	2.070	3.250	4.370	4.410
28/03/2013	1.130	1.160	1.350	1.540	1.750	2.840	4.070	4.220
HIGH	1.330	1.400	1.690	1.910	2.150	3.290	4.440	4.590

LOW	1.000	1.030	1.170	1.320	1.520	2.520	3.810	3.960
Average	1.185	1.229	1.440	1.631	1.847	2.871	4.094	4.250

Borrowing Outturn for 2012/13

6.15 Due to investment concerns, both counterparty risk and low investment returns, no long-term borrowing was undertaken during the year.

6.16 Maturing long – term loans of £20 million were repaid in 2012/13 as detailed in Table 8 below:

Table 8: Maturing Long – Term Loans repaid during 2012/13

Principal £m	Interest Rate %	Date Repaid
20.000	1.66	1 Oct 2012

6.17 Maturing short – term loans of £40.396 million were repaid in 2012/13 as detailed in Table 9 below:

Table 9: Maturing Short – Term Loans repaid during 2012/13

Principal £m	Interest Rate %	Date Repaid
2.000	1.45	17 April 2012
1.000	1.45	04 May 2012
1.050	0.55	8 June 2012
8.173	0.28	15 October 2012
1.000	0.80	12 November 2012
4.000	1.20	13 November 2012
5.000	0.30	26 November 2012
5.000	0.30	21 December 2012
5.000	0.29	04 January 2013
3.173	0.30	17 January 2013
5.000	0.32	28 February 2013

6.18 Short term savings were achieved during the year by internally financing new capital expenditure and replacing maturing debt by running down existing cash balances, which were only earning minimal rates of interest due to the fact that the Bank Rate was kept at 0.5% all year. Reducing cash balances also meant lower counterparty risk on the investment portfolio.

6.19 No rescheduling of debt was carried out during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Investment Rates in 2012/13

6.20 Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for four years. Market expectations of the start of the monetary tightening were pushed back during the year to early 2015 at the earliest. The Funding for Lending Scheme resulted in a sharp fall in deposit rates in the second half of the year.

6.21 Table 10 below shows the money market investment rates for the year.

Table 10: Money Market Investment Rates for 2012/13.

	Overnight %	**7 Day %**	**1 Month %**	**3 Month %**	**6 Month %**	**1 Year %**
01/04/12	0.432	0.457	0.571	0.902	1.221	1.738
31/03/13	0.361	0.365	0.371	0.382	0.478	1.784
HIGH	0.432	0.457	0.571	0.902	1.221	1.739
LOW	0.348	0.355	0.366	0.382	0.476	0.783
Average	0.382	0.394	0.428	0.564	0.782	1.207

Investment Outturn for 2012/13

6.22 The Council's investment policy is governed by Communities and Local Government (CLG) guidance, which was implemented in the annual investment strategy approved by the Council in March 2012. The policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

6.23 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties. The treasury management team on a daily basis carefully monitor credit ratings.

Section 7: Prudential Indicators

7.1 The Local Government Act 2003 requires Councils to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities. This Prudential Code requires authorities to develop a set of Prudential Indicators (PIs).

7.2 The following part of the report shows the actual 2012/13 prudential indicators at year-end compared to the estimated indicators approved by Cabinet in the September Financial Monitoring report on 12 November 2012.

Prudential Indicators for Capital

Ratio of Financing Costs to Net Revenue Stream (PIs 1 and 2)

7.3 These PIs show the ratio of financing costs to net revenue streams for 2012/13, including comparisons to estimates and the prior year position. The actual percentages for both the General Fund and HRA are slightly lower than estimated due to a reduction in the level of borrowing expected in the September monitoring report and a small reduction in the consolidated rate of interest.

Table 11: Ratio of Financing Costs to Net Revenue Stream (PIs 1 and 2)

2011/12 Actual		2012/13 Estimate	2012/13 Actual
14.00%	General Fund	14.54%	13.32%
17.14%	HRA	27.63%	22.93%

To enhance the information available for decision-making we have also provided a local indicator to show the proportion of the budget that is spent on prudential (unsupported) borrowing. As above, the General Fund and HRA have reduced due to a reduction in the consolidated rate of interest and a lower level of General Fund borrowing than projected in the September monitoring report. This is shown in Table 12 below:

Table 12: Ratio of Financing Costs for prudential (unsupported) borrowing to Net Revenue Stream (PIs 1 and 2)

2011/12 Actual		2012/13 Estimate	2012/13 Actual
6.18%	General Fund	7.02%	6.75%
4.04%	HRA	3.97%	3.94%

Impact on Council Tax and Housing Rents (PIs 3 and 4)

7.4 This shows the incremental impact of new capital investment decisions on Council Tax and Housing Rent levels.

Table 13: Impact on Council Tax and Housing Rents (PIs 3 and 4)

	2012/13 Estimate	2012/13 Actual
For the Band D Council Tax	£1.98	£1.94
For average weekly housing rents	nil	nil

The General Fund indicator has reduced due lower interest rates than anticipated in the September Financial Monitoring report.

Gross and Net Debt and the Capital Financing Requirements (PI5)

7.5 This is a key indicator for prudence and is designed to ensure that, over the medium term, gross debt will only be for capital purposes. Gross debt should not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus estimates of any additional capital financing requirement for the current and next two financial years.

7.6 Following changes to the CIPFA Prudential Code this indicator now includes all debt (PFI schemes and finance leases) rather than purely borrowing. The Council's gross debt is set out below together with the capital financing requirement (i.e. the authority's underlying need to borrow for capital purposes) as at 31 March 2013.

- Gross debt as at 31 March 2013 - £508.706m
- Capital Financing Requirement as at 31 March 2013 - £579.054m

7.7 This confirms that the Council is well within its capital financing requirement.

Capital Expenditure (PIs 6 and 7)

7.8 The actual capital expenditure that was incurred in 2012/13 compared to both the original estimate and revised budget is as follows:

Table 14: Capital Expenditure (PIs 6 and 7)

	2012/13 Original Estimate £m	2012/13 Revised budget £m	2012/13 Actual £m	Variation actual compared to revised budget £m
Chief Executive's Office	7.870	16.400	11.228	-5.172
Children, Young People & Learning	11.673	9.561	7.746	-1.815
Community Services	3.894	7.100	3.647	-3.453
Finance and Resources	2.150	0.551	0.432	-0.119
Corporate	1.500	1.237	0.265	-0.972
General Fund	**27.087**	**34.849**	**23.318**	**-11.531**
HRA	**16.297**	**18.837**	**17.264**	**-1.573**
Total	**43.384**	**53.686**	**40.582**	**-13.104**

7.9 The variations between the actual capital expenditure and the 2012/13 revised estimates are shown in Appendix I to this report. In addition to this, variations were identified in the Financial Management reports to Cabinet during 2012/13.

Capital Financing Requirement (PIs 8 and 9)

7.10 Estimates of the capital financing requirement at 31 March 2013 compared to the actual is as follows:

Table 15: Capital Financing Requirement (PIs 8 and 9)

2011/12 Actual £m		2012/13 Estimate £m	2012/13 Actual £m
291.547	General Fund	297.998	292.043
290.824	HRA	300.258	287.011
582.371	TOTAL	598.256	579.054

7.11 The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, North Tyneside Council does not associate borrowing with particular items or types of expenditure.

7.12 The above indicator shows the total borrowing requirement, both supported and prudential (unsupported). To enhance the information available for decision-making a local indicator is provided to show the Capital Financing Requirement for prudential (unsupported) borrowing. This is shown in Table 17 below:

Table 16: Capital Financing Requirement for Prudential (Unsupported) Borrowing (PIs 8 and 9)

2011/12 Actual £m		2012/13 Estimate £m	2012/13 Actual £m
124.094	General Fund	130.161	124.130
47.406	HRA	44.906	44.906
171.500	**Total**	**175.067**	**169.036**

Prudential Indicators for Treasury Management

7.13 The Council's treasury limits and Prudential Indicators for 2012/13 were set out in the Council's Treasury Policy Statement and Annual Strategy Statement. The actual Prudential Indicators for 2012/13 are shown in Table x below. The authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. Table X below demonstrates that during 2012/13 the Council has maintained gross borrowing within its authorised limit. The operational boundary for external debt sets out the expected total of borrowing for each year consistent with the Authority's capital plans and Treasury Management Strategy. This is lower than the authorised limit and is a key management tool for in-year monitoring.

7.14 The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) accepts that the operational boundary may on occasion be breached temporarily but that a sustained or regular trend above the operational boundary would be significant and lead to further investigation and action as appropriate.

Table 17: Prudential Indicators for 2012/13:

PRUDENTIAL INDICATOR	**2011/12**	**2012/13**	**2012/13**
TREASURY MANAGEMENT PRUDENTIAL INDICATORS	**£'000**	**£'000**	**£'000**
	Actual	**Estimate**	**Actual**
Authorised limit for external debt -			
Borrowing	446.111	938.352	451.281
other long term liabilities	54.762	90.000	57.425
TOTAL	**500.873**	**1.028.352**	**508.706**
Operational boundary for external debt -			
Borrowing	446.111	523.602	451.281
other long term liabilities	54.762	90.000	57.425
TOTAL	**500.873**	**613.602**	**508.706**

Upper limit for fixed interest rate exposure (net of fixed rate investment)	100%	100%	100%
Upper limit for variable rate exposure (net of variable investment)	50%	50%	50%
Upper limit for total principal sums invested for over 364 days	25%	25%	25%

Maturity structure of fixed rate borrowing during 2012/13	upper limit	lower limit
under 12 months	35%	0%
12 months and within 24 months	35%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	25%