

REPORT OF THE

Cabinet

PART 1

92. 2013/14 – END OF YEAR FINANCIAL REPORT

1. The Cabinet received a report of the Director of Corporate Resources on the end of year position for 2013/14 on 23 June 2014. Service cash-limited expenditure was £1.6m lower than budgeted against an overall gross budget of nearly £1.8bn (0.1%). This position reflects the continuing financial strategy of achieving savings in the early part of the CSR period, which can then be used to meet the cost of change and invest to save or transformational projects in future years. The position also reflects the significant costs incurred in dealing with flooding in the earlier part of the year.

2. The position for each of the services is summarised in the table below.

	(Under)/ Over Spend £'000
Adult Services	0
Children's Services – Non Schools	(3,207)
Economy, Transport and Environment	3,401
Policy and Resources	<u>(1,798)</u>
Total	(1,604)

3. Both the Treasury Management and Prudential Codes of Practice require reports to be submitted to the County Council at the year end, and the County Council are recommended to approve the annual report on the exercise of the treasury management function and the prudential indicators relating to 2013/14 outturn, which are set out in the appendix to the report.

4. The overall report is attached as an appendix to this report and is submitted to the County Council for approval. In addition, the Council's prudential indicators also require the approval of the County Council and these are also set out in the report. None of the prudential indicators were breached during the year.

The full Cabinet report can be found at www.hants.gov.uk/councilmeetings.htm by typing in the relevant reference number:

- 2013-14 End of Year Financial Report (search item reference 5840)

RECOMMENDATIONS

That the County Council approve the recommendations of Cabinet and the attached annual report for 2013/14 on the exercise of treasury management functions and the accompanying prudential indicators.

HAMPSHIRE COUNTY COUNCIL
Decision Report

Decision Maker:	Cabinet
Date:	23 June 2014
Title:	2013/14 – end of year financial report
Reference:	5840
Report From:	Director of Corporate Resources – Corporate Services

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1. Executive Summary

- 1.1 This report provides a summary of the 2013/14 final accounts. The draft statement of accounts will be submitted for audit on the 30 June 2013 and reported to the Audit Committee in September, in conjunction with the Audit Commission's Governance report on the accounts.
- 1.2 Net service cash-limited expenditure was £1.6m lower than budgeted against an overall gross budget of £1.8bn (0.1%). This position reflects the continuing financial strategy of achieving savings in the early part of the CSR period, which can then be used to meet the cost of change and invest to save or transformational projects in future years. The position also reflects the significant costs incurred in dealing with flooding in the earlier part of the year.
- 1.3 The position for each of the services is summarised in the table below.

	(Under) / Over Spend £'000
Adult Services	0
Children's Services – Non Schools	(3,207)
Economy, Transport and Environment	3,401
Policy and Resources	(1,798)
Total	<u>(1,604)</u>

- 1.4 The balanced position for Adult Services reflects significant management activity during the year to bring actual spend in line with the budget. Departmental contingencies were used to offset pressures due to increasing complexity and demography.

- 1.5 The under spend in Children Services mainly is due to a reduction in payments for 2 year olds, which was successfully implemented by the County Council, but actual take up was lower than planned in the year. Other savings related to the early achievement of 2014/15 savings and the release of centrally held contingencies. This has been offset by an overspend of £2.7m in respect of Children Looked After as a result of increasing numbers and cost of packages.
- 1.6 The final outturn position for Environment shows an overspend of £3.4m. One of the major contributing factors to this overspend was the severe weather encountered in the final quarter of the year. Just under £2m of flooding costs were contained within the ETE budget as other activity was stopped during this period. The balance of costs of around £2.4m will be met corporately from central contingencies.
- 1.7 The County Council is seeking to reclaim eligible costs from the Government under the Bellwin Scheme. These costs exceed HCC's £1.5m threshold for expenditure that has to be met by the County Council before it is eligible for funding under the Bellwin Scheme, since these costs are all being met as part of the outturn position for the year, this means that any future funding received under Bellwin can be used for other purposes.
- 1.8 A further £883,000 of the ETE overspend relates to previous liabilities for landfill tax now confirmed as owing under the waste disposal contract, despite assurances that the amount originally billed and paid was correct. As this was a contributing factor in significant underspends reported against corporately held contingencies in 2012/13 it is proposed that this amount is also funded corporately.
- 1.9 Policy and Resources achieved an under spend of £1.8m mainly due to on going efficiency savings and the early achievement of 2014/15 savings within Corporate Services. CCBS achieved a managed breakeven position.
- 1.10 Service under spends within Children's Services and Policy & Resources have been transferred to earmarked reserves for use by the respective service to meet restructuring and investment costs associated with the Transformation to 2015 programme, in accordance with the revised financial management policy.
- 1.11 Given the nature of the pressures within ETE, it is proposed that these will be met by corporate resources and will be offset by underspends against central contingencies (which included a general contingency amount for unexpected costs of this kind).
- 1.12 Savings on non-cash limited budgets total £13.4m mainly as a result of Treasury Management activity and unused contingencies, which were set aside to reflect the significant levels of savings that had been removed from the budget in the last few years.
- 1.13 The overall net underspend is £10.015m after allowing for the extra costs incurred within ETE. This report recommends that £1m of this net underspend is set aside to fund the next phase of management development costs under the Workforce Development Strategy. The Chief Executive will report further on the next phase of this project before any expenditure is committed. It is proposed to transfer the balance of the underspend (£9.015m) to the Grant Equalisation Reserve.

- 1.14 The report also recommends approval of
- the annual report on the operation of the treasury management strategy, for subsequent approval by the County Council
 - the council's end of year prudential indicators
 - a revised capital financing plan for 2014/15

2 2013/14 Final accounts

Service cash limits

- 2.1 The table below summarises the net outturn position for each Department compared to the final cash limit for the year. The figures exclude schools spending but include cost of change paid for during 2013/14 :

	(Under) / Over Spend £'000
Adult Services	0
Children's Services – Non Schools	(3,207)
Economy, Transport and Environment	3,401
Policy and Resources	<u>(1,798)</u>
Total	<u>(1,604)</u>

- 2.2 The Children's Services and Policy and Resources under spends will be transferred to earmarked reserves to meet the future cost of change in line with the existing policy.
- 2.3 The additional spending within ETE will be met from central contingencies as the majority relates to costs incurred in dealing with flooding in the early part of the year. It is anticipated that within ETE alone costs of around £4.9M have been incurred in dealing with flooding and after allowing for HCC's Bellwin threshold of £1.5M that would leave at least £3.4m that will be available to support other spending that will be considered as part of the Capital Review report being presented to Cabinet in July.
- 2.4 Detailed explanations of the reasons for the under spends in Departmental budgets is provided in Appendix 1.

Schools Budget

- 2.5 The Schools Budget is fully funded by Dedicated Schools Grant (DSG) and other ring-fenced grants, which have to be carried forward for school purposes. Unless an overspending arises, spending is therefore automatically in line with the cash-limit, as the cash-limit is adjusted for the carry forward of grants. In

total for 2013/14 there was a net under spend of £6.1m against the schools budget and this will be carried forward to 2014/15 as part of an overall total of DSG of £20m. The final allocation of how this money will be used has already been or will be agreed by the Schools Forum later in the year.

Other Budgets

- 2.6 The outturn for other items contained within in the budget is shown in the following table:-

	(Under) / Over Spend £'000
Capital Financing / Interest on Balances	(5,125)
Waste Management	(353)
Contingencies	(7,541)
Other net variations	(397)
	<u>(13,416)</u>

- 2.7 The main reasons for the variances in these other budgets is detailed in the paragraphs below.

Capital financing charges and interest on balances (£5.125m under spend)

- 2.8 This under spend reflects a continuing trend in previous years of a very prudent approach to capital financing costs and interest on balances. The final outturn position reflects lower capital financing costs as a result of the use of 'internal borrowing' to fund capital expenditure rather than taking out long term loans at this point. It also reflects improved interest on cash balances which have increased during the year.

Waste Management (£353,000 under spend)

- 2.9 Due to the number of variables associated with the provision of the Waste Management contract, separate central provisions are made within the budget each year and released in line with changes in waste volumes or contract terms. Any savings against the waste management contract are treated as corporate savings rather than being counted against Economy, Transport and Environment's cash limit. Waste volumes have stabilised in previous years and the County Council is continuing to benefit from income sharing arrangements put in place under the contract.

Contingencies (£7.541m under spend)

- 2.10 The level of contingencies held as part of the 2013/14 budget reflected the fact that £110m of spending had been removed from the budget over the last three years.
- 2.11 Whilst some specific contingency support was required in the year to support the Adult Services budget, the County Council was in general successful at containing pressures within existing budgets and so the general contingency provision was not required for other purposes and will be used to fund the additional spending within ETE. The other main area of saving was the provision for the annual pay award, which was only allocated to Departments where there were in year budget pressures, resulting in a saving of over £1.7m.

Other Variations (£397,000 under spend)

- 2.12 This relates mainly to an underspend against the coroners due to a lower number of inquests than anticipated and an underspend against the past deficit contribution for pension costs due to a refund of amounts charged to the County Council in respect of academies.

Allocation of net under spend

- 2.13 The net under spend is broken down in the following table and this report recommends that £1m of the net under spend is set aside to fund the next phase of management development costs as part of the Workforce Development Strategy . It is proposed to transfer the balance of the under spend to the Grant Equalisation Reserve.

	(Under) / Over Spend £'000
Corporate Budgets	(13,416)
ETE additional spending	3,401
Net underspend	(10,015)
Provision for Management Development	1,000
Net Under Spend to GER	(9,015)

3 General Balances and Earmarked Reserves

- 3.1 General Balances at 31 March 2013 are £27.7m, which after taking out the £8M carry forward of unspent contingencies from 2012/13 which will be used to fund the 2014/15 budget, the level of general balances will be in line with current policy of carrying a general balance that is approximately 2.5% of the County Council's Budget Requirement.

- 3.2 In addition to the General Balance, the County Council maintains earmarked reserves for specific purposes and to a large extent a significant proportion of these is committed either to existing revenue or capital programmes or to mitigate risks that the County Council faces through self insurance or funding changes by Government.
- 3.3 At the time of writing this report, the actual value of earmarked reserves has not been finalised within the accounts, but is expected to rise due to the cash flow management of the capital programme leading to an increase in the capital payments reserve and under spends on Departmental and central budgets as detailed in this report. Schools balances, over which the County Council has no direct control, are also expected to increase.

4 Treasury management and prudential indicators

- 4.1 The County Council's treasury management policy requires an annual report to the Cabinet on the exercise of the treasury management function, details of which are set out in Appendix 2. Under the Treasury Management Code of Practice, the end of year report has to be submitted to the County Council.
- 4.2 The Prudential Code for Capital Finance in Local Authorities requires that the County Council reports its actual performance against the Prudential Indicators that were set in its Treasury Management Strategy. Appendix 2 summarises the relevant indicators for the 2013/14 outturn which are in accordance with the figures approved by the County Council.
- 4.3 The 2014/15 Treasury Management strategy reduced the individual counterparty limit for investments in response to the increased risk to capital caused by recent legislation, as outlined in Appendix 2. In order to further diversify the level of counterparty risk, it is recommended that bond investments are added to the County Council's investment strategy and the duration of any non-local authority bond investment should be linked to the counterparties credit rating as follows:

Counterparty		Cash limit	Time limit
Banks and other organisations issuing bonds whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	£80m per counterparty (including other types of investment)	10 years
	AA+		5 years
	AA		4 years
	AA-		3 years
	A+		2 years
	A		1 year

5 Capital spending and financing 2013/14

- 5.1 £188.2m of capital schemes were committed during the year, leaving £108.2m to be carried forward to 2014/15, subject to Cabinet's approval.

- 5.2 Capital expenditure of £212.2m was incurred, which can all be financed within available resources, this includes £32.0m of spending on the street lighting PFI scheme which will be funded by means of a finance lease funded by Government.
- 5.3 Prudential borrowing of £19.0m will be taken out to support the programme, although there will also be a further repayment of prudential borrowing from capital receipts and other funding sources of £1.7m. Further details of the outturn position for capital are provided in Appendix 3.

6 Assurance statement

6.1 The code of Practice on Local Authority Accounting in the UK requires the County Council within its Statement of Accounts to publish an annual governance statement signed by the Leader and Chief Executive. As part of this process, the Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control operating in the County Council as a whole. The Chief Internal Auditor's Annual Report and Opinion is approved by the Audit Committee.

6.2 The Chief Internal Auditor has concluded that:

“In my opinion, Hampshire County Council's framework of governance, risk management and management control is 'Adequate' and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.”

7 Pension Fund

7.1 The separate accounts for the Hampshire Pension Fund will also be incorporated in the County Council's Statement of Accounts. The accounts for 2013/14 record that the value of the fund's assets has increased to £4.7bn during the year. The Chief Internal Auditor has provided a separate assurance opinion for the Pension Fund and has concluded that :

“In my opinion, based on internal audit work completed 'Substantial Assurance' can be placed on Hampshire County Council (Pension Services) framework of governance, risk management and management control and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.”

8 Final Accounts

8.1 The final accounts must be submitted for audit by 30 June each year. The purpose of this report is to outline the key issues arising from the outturn position for 2013/14, although given the much earlier report publication times

for this Cabinet meeting, it is possible that there will be minor changes within the accounts that will have to be reflected in the version that is submitted for audit.

- 8.2 Delegated Authority has therefore been requested for the Director of Corporate Resources to make any necessary amendments to the figures presented in this report for final publication in the annual accounts to be submitted for audit. Any major changes or issues will be reported back to Cabinet either verbally, at the meeting or in due course.

9 Recommendations

- 9.1 That the outturn position set out in Section 2 be approved and that it is recommended to County Council that the overall net under spend be allocated as set out in paragraph 2.13.
- 9.2 That delegated authority be given to the Director of Corporate Resources to make any final changes to the outturn position presented in this report prior to the accounts being submitted for audit by 30th June.
- 9.3 That the report on the County Council's treasury management activities and prudential indicators as set out in Appendix 2 be approved for submission to the County Council.
- 9.4 That County Council be requested to approve the addition of bond investments to the County Council's investment strategy, with the duration of any non-local authority bond investment linked to the counterparties credit rating as follows:

Counterparty		Cash limit	Time limit
Banks and other organisations issuing bonds whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	£80m per counterparty (including other types of investment)	10 years
	AA+		5 years
	AA		4 years
	AA-		3 years
	A+		2 years
	A		1 year

- 9.5 That service capital programme cash limits for 2014/15 be increased to reflect the carry forward of capital programme schemes and shares of capital receipts, as set out in Appendix 3.

Adult Services

Revenue Expenditure 2013/14

Major variations in cash limited expenditure – Nil variance against the adjusted cash limit.

Service Area		(Under) / Over spend £'000	Adjusted Cash Limit £'000	Reason for Variation
Policy and Strategic Development		(1,845)	36,710	The net underspend relates largely to the prevention and early intervention services, with the majority being within preventative Telecare and supporting people budgets. Public Health funding helped in offsetting pressures within both domestic violence and the community independence teams.
Older People (OP) and Physical Disabilities (PD)	OP	(76)	100,978	Although there is a small underspend there are significant complexity and demography pressures within the domiciliary care system which have been largely off set through the allocation of Health funding. There are further pressures in direct payments predominantly due to above budgeted weekly costs. In year pressures in residential and nursing care have been partially off-set through the use of an element of the department's transformation funding for the clients moving from In-house services as a result of the home closures.
	PD	2,136	29,515	There are significant a pressures on both purchased residential care and direct payments due to higher than budgeted and care package numbers and above budgeted weekly costs.

Service Area		(Under) / Over spend £'000	Adjusted Cash Limit £'000	Reason for Variation
Learning Disabilities (LD), Mental Health (MH) and other non-operational support services	LD	3,054	103,432	Increasing complexity and demography demand on the purchased residential service, coupled with higher than budget weekly costs has led to a significant pressure. Other pressures include increased activity on day care services, higher than budgeted costs for clients receiving direct payments and a pressure against transport budgets.
	MH	(159)	10,877	The underspend is predominantly due to lower than budgeted levels of activity within purchased domiciliary care. Smaller underspends on purchased and in-house day care were due to lower weekly costs and activity than the budgeted figures. These underspends were partially offset by pressures against staffing budgets.
	Non-operational /other	(963)	6,995	The underspend relates to greater levels of income achieved than budgeted within the safeguarding and quality service and an underspend against community care services direct payments following a major review of the service.
In House Services		1,885	29,119	The main area of pressure within In-house is staffing due to pressures relating to agency and temporary staff, which have been partially offset by an underspend against permanent staff.
Various other		(4,032)	5,574	This reflects the management of the departmental contingencies which have been used to off-set the departments overall pressure.
		0	323,200	

Children's Services

Revenue Expenditure 2013/14

Major variations in cash limited expenditure – Net under spending of £3.207m against the adjusted cash limit.

Service Activity	(Under) / Over Spend £'000	Adjusted Cash Limit £'000	Reason for Variation
Schools budget			
Pupil Growth / Infant Class Sizes	(947)	5,107	Lower than expected costs relating to implementation of additional classes to deal with increase in primary age pupils. Offset by a pressure relating to budget shares for two new schools which opened in September 2013.
2 Year Old Free Entitlement Funding	(1,715)	7,093	The 2 year old entitlement was a new entitlement implemented for 2014/15 and take up was slower than expected when compared to the assumptions in the budget. Cost of Enhanced SEN payments for 2 year olds was also over estimated.
Behaviour Support Teams	(251)	1,956	Delayed recruitment to vacant posts within admin, behaviour support workers and team managers, together with associated running costs.
Early Years Central Expenditure	(525)	793	Contingency for 2, 3 and 4 year old funding not needed as the cost of take up was covered within the service budget.
Prudential Borrowing	(286)	286	Contingency for outstanding payments not needed.
High Needs Top-Up Funding	(1,840)	33,349	Post 16 as well as smaller underspends on resourced provisions, special schools, other local authorities and statemented pupils in mainstream, due mainly to lower learner numbers and negotiated reductions.
Independent & Non	575	10,415	Higher than expected pupil numbers and related costs. Payments also

Service Activity	(Under) / Over Spend £'000	Adjusted Cash Limit £'000	Reason for Variation
Maintained Special Schools			made relating to previous year due to late information being supplied by other local authorities.
Various Other (net)	(1,137)	649,003	
Carry forward of Dedicated Schools Grant	6,126	(6,126)	The Department for Education (DfE) allows any unspent DSG funds to be carried forward each year and ringfenced for schools purposes. The sum is part of the total DSG to be carried forward of £19.741m. The major components of the carry forward consist of: <ul style="list-style-type: none"> • £11.209m of planned carry forward from previous years as agreed with Schools Forum. • £4.036m of planned carry forward agreed with Schools Forum on 1 May 2014 • £4.496m of unallocated DSG
Sub-total Schools budget	-	701,876	
Non-Schools budget			
Centrally Retained Contingency	(1,028)	1,028	Contingency not allocated but used to offset the department's other pressures.
Services for Young Children	(2,084)	17,908	Reduced take-up of early years grants and bursaries as well as reduction in children's centre grants due to lower take-up than anticipated. Re-classification of inclusion costs to schools budget. Difficulty recruiting to children's centres teacher posts due to temporary nature of posts.
Learning & Development	(637)	1,986	Vacancy Management as well as planned reduction in activity. Efficiency

Service Activity	(Under) / Over Spend £'000	Adjusted Cash Limit £'000	Reason for Variation
			savings identified for 2014/15 introduced early.
Young People's Learning & Development	(536)	1,512	Lower than anticipated take-up of traineeship scheme. Cost of change budget not required for Careers Service.
Services for Young People	(907)	5,414	Mainly as a result of increased grant funding during the year.
Children Looked After	2,693	42,782	Increase of 11.5% in CLA activity between March 2013 and March 2014 reflecting an increase in the numbers of children and the average cost of packages.
Youth Justice	616	1,991	Swanwick Lodge Secure Unit - reduction in YJB contracted income and other income as a result of bed closures and higher staff costs arising from high sickness levels
Various other (net)	(1,324)	92,261	
Sub-total Non-Schools budget	(3,207)	164,882	
Total Children's Services Department	(3,207)	866,758	

Environment, Transport & Economy

Revenue Expenditure 2013/14

Major variations in cash limited expenditure – overspend of £3.401m against the adjusted cash limit.

Main variations

Service Area	(Under) / Over spend £000	Adjusted Cash Limit £000	Reason for Variation
Highways, Traffic and Transport	2,100	67,114	<p>Dealing with storm and flooding emergency. The department has incurred significant additional costs responding to the storm and flooding emergencies in the final quarter of the year. The overspend relates to costs it was not possible to absorb within existing budget provision and in addition to the £650,000 of costs contained within the highways maintenance budget a further £1.2m of orders for other highways works were cancelled to maximise the resources available to deal with the flooding response. The County Council will be seeking to reclaim eligible costs from the Government under the Bellwin Scheme and payments under that scheme would be received by the County Council during 2014/15. It is proposed that the overspending as a result of dealing with these emergency situations is funded corporately.</p> <p>Other. The overspend is the result of a number of factors including the balance of redundancy & pension strain costs arising from the major departmental restructure together with higher spend on agency and technical consultants which has been partly offset by lower spend on Concessionary Fares reimbursements where the adverse weather has had an impact in reducing the number of journeys undertaken.</p>
	497		

Service Area	(Under) / Over spend £000	Adjusted Cash Limit £000	Reason for Variation
Waste, Planning and Environment	883	42,448	Waste disposal contract. The overspend relates to landfill tax now confirmed as owing under the waste disposal contract despite earlier assurances that the amount originally billed and paid was correct. The lower payment in 2012/13 were a major contributing factor in amounts returned from ETE's cash limit to the waste contract contingency provision held corporately and it is therefore proposed that the backdated landfill tax costs be covered corporately.
	(66)		Other. Minor net under spending on staffing and operational support budgets.
Economic Development	(15)	1,082	Other. Lower than expected external spend with more activity able to be undertaken in-house following appointments to the new structure.
Departmental and Corporate Support	1	3,776	
Total	3,401	114,420	

Policy & Resources

Revenue Expenditure 2013/14

Major variations in cash limited expenditure – underspend of £1.798m against the adjusted cash limit.

Main variations

Service Area	(Under) / Over spend £000	Adjusted Cash Limit £000	Reason for Variation
Corporate Services	(946)	45,959	Corporate Services continues to implement a strategy of robust vacancy management and short term actions around strong budgetary control in order to generate savings, which will support the cost of implementing the Corporate Services Review. After absorbing costs relating to the IBC change programme and the cost of redundancies in 2013/14 Corporate Services will generate a contribution of £946,000 towards the cost of future change and investment.
Culture, Communities and Business Services	0	43,084	Robust financial management and higher than expected income for example from registration, trading standards and culture and heritage services, together with a planned draw from the cost of change reserve, has enabled CCBS to cover the cost of the 2013/14 pay award, additional costs associated with adverse weather and one-off costs relating to service investment and change programmes, resulting in an overall breakeven position.

Service Area	(Under) / Over spend £000	Adjusted Cash Limit £000	Reason for Variation
Other budgets	(852)	9,180	The variance is a result of savings across a number of budgets including a reduction in the external audit fee and the corporate expenses budget which represents a continuation of trends in recent years to fund fewer events. A number of other budgets have had lower expenditure during the year and the balance will be carried forward to match the re-phased planned expenditure, these include the Supporting Troubled Families, World War Commemorations and Olympic Legacy budgets. Members individual grant balances will also be carried forward this year in accordance with the scheme rules. The rural affairs fund has been under review this year and the remaining balance will be available in 2014-15.
Public Health	0	33,115	For Public Health, the outturn position is £3.6m below the ring-fenced grant. The cash limit has been adjusted by the unspent portion of the 2013/14 grant which has been transferred to the Revenue Grants Unapplied Reserve and will be available in future years for spend which meets the Public Health grant conditions, consequently there is no variance against the adjusted cash limit. The main reasons for spend being lower than the grant include, lower than budgeted uptake of Health Checks, the impact of significant vacancies through out the year, the re-phasing of expenditure plans as a result of the time required to properly develop plans for newly approved areas of spend during the year and an underspend in the difficult to predict area of Sexual Health Non-Contracted spend.

Service Area	(Under / Over spend £000)	Adjusted Cash Limit £000	Reason for Variation
Total	(1,798)	131,338	

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

2. Hampshire safer and more secure for all:	Yes
Corporate Improvement plan link number (if appropriate):	
3. Maximising well-being:	Yes
Corporate Improvement plan link number (if appropriate):	
4. Enhancing our quality of place:	Yes
Corporate Improvement plan link number (if appropriate):	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

1.1 Equality objectives are not considered to be adversely affected by the proposals in this report but the Council's budget and the services that it provides are delivered in a way that ensures that any impact on equalities issues are fully taken into account.

2. Impact on Crime and Disorder:

2.1 The proposals in this report are not considered to have any direct impact on the prevention of crime, but the County Council through the services that it provides through the revenue budget and capital programme ensures that prevention of crime and disorder is a key factor in shaping the delivery of a service / project.

3. Climate Change:

3.1 How does what is being proposed impact on our carbon footprint / energy consumption?

The revenue budget and capital programme contain measures that will assist in reducing our carbon footprint.

3.2 How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts

The County Council in designing its services will ensure that climate change issues are taken into account.

Appendix 2

Annual Treasury Outturn Report 2013/14

1. Purpose

- 1.1 The County Council adopts the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice, which includes an annual report on the treasury management strategy after the end of each financial year.

2. Summary

- 2.1 Treasury management in the context of this report is defined as:

“The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

- 2.2 This annual report sets out the performance of the treasury management function during 2013/14, to include the effects of the decisions taken and the transactions executed in the past year.
- 2.3 Overall responsibility for treasury management remains with the County Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the County Council’s treasury management objectives.
- 2.4 All treasury activity has complied with the County Council’s Treasury Management Strategy and Investment Strategy for 2013/14, and all relevant statute, guidance and accounting standards. In addition the County Council’s treasury advisers, Arlingclose, provide support in undertaking treasury management activities.
- 2.5 The County Council has complied with all of the prudential indicators set in its Treasury Management Strategy, these are detailed fully in Appendix 1.

3. Economic background

- 3.1 The following Section outlines the key economic themes against which investment and borrowing decisions have been made in the past financial year. At the beginning of the 2013-14 financial year markets were concerned about lacklustre growth in the Eurozone, the UK and Japan. Lack of growth in the UK economy, the threat of a ‘triple-dip’ recession alongside falling real wages (i.e. after inflation) and the paucity of business investment were a concern for the Bank of England’s Monetary Policy Committee. However, the recovery in the UK surprised with strong economic activity and growth. The first quarter of 2014’s year-on-year growth estimate was an increase of 3.1%. Much of the improvement was down to the dominant service sector, and an increase in household consumption buoyed by the pick-up in housing transactions which were driven by higher consumer confidence, greater availability of credit and strengthening house prices which were partly boosted by government initiatives such as Help-

to-Buy.

- 3.2 With new Governor Mark Carney at the helm, the Bank of England unveiled forward guidance in August 2013 pledging to not consider raising interest rates until the International Labour Organisation (ILO) measure of unemployment fell below the 7% threshold. In the Bank's initial forecast, this level was only expected to be reached in 2016. Although the Bank stressed that this level was a threshold for consideration of rate increase rather an automatic trigger, markets began pricing in a much earlier rise than was warranted and, as a result, gilt yields rose aggressively.
- 3.3 CPI fell from 2.8% in March 2013 to 1.6% in March 2014, the lowest rate since October 2009, helped largely by the easing commodity prices and discounting by retailers, reducing the pressure on the Bank to raise rates. Although the fall in unemployment (down from 7.8% in March 2013 to 6.9% in February 2014) to below the Bank's initial threshold was faster than the Bank of England or indeed many analysts had forecast, it hid a stubbornly high level of underemployment. Importantly, average earnings growth remained muted and real wage growth was negative.
- 3.4 In February the Bank stepped back from forward guidance relying on a single indicator – the unemployment rate – to more complex measures which included spare capacity within the economy. The Bank also implied that when official interest rates were raised, the increases would be gradual – this helped underpin the 'low for longer' interest rate outlook despite the momentum in the economy.

4. **The borrowing requirement and debt management**

	Balance on 31/03/2013 £m	Net new borrowing £m	Balance on 31/03/2014 £m
Long Term Borrowing	376.0	-2.8	373.2
Temporary borrowing	41.1	-5.8	35.3
Total Borrowing	417.1	-8.6	408.5
Other Long Term Liabilities	133.8	26.2	160.0
Total External Debt	550.9	17.6	568.5

- 4.1 The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31/3/2014 was estimated at £771m. The Council's borrowing requirement during the year in the capital programme was £17m, which was funded internally. External borrowing in the form of long-term loans has decreased through a small repayment of external debt, whilst liabilities resulting for Private Finance Initiatives (PFI), shown in the table above under long-term liabilities, has increased as the delivery of the Street Lighting PFI continues.

4.2 The indicator for total external debt is obtained directly from the Authority's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

4.3 A cautious approach has been applied in terms of take-up of new borrowing to minimise debt interest payments without compromising the long-term stability of the portfolio. Internal resources in lieu of external borrowing have been used in order to lower overall treasury risk by reducing both external debt and temporary investments.

5. Investment activity

5.1 The County Council has invested according to a low risk, high quality lending list as outlined in the Investment Strategy for 2013/14.

	Balance on 31/03/2013 £m	Balance on 31/03/2014 £m	Average Rate on 31/03/2014	Average Life on 31/03/2014
Instant access monies	62.4	76.0	0.54%	0 yrs
Short term investments	275.0	350.0	0.83%	0.39 yrs
Long term investments	110.0	95.5	1.76%	5.44 yrs
Total investments	447.4	521.5	0.96%	1.26 yrs

5.2 Security of capital remained the County Council's main investment objective. This was maintained by following the County Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2013/14. Investments during the year included:

- deposits in AAA-rated Money Market Funds
- deposits with UK local authorities
- call accounts and deposits with banks and building societies.

5.3 Counterparty credit quality was assessed and monitored with reference to:

- credit ratings
- credit default swaps
- any potential support mechanisms
- share prices.

5.4 The minimum long-term counterparty credit rating determined for the 2013/14 treasury strategy was A-/A3 across rating agencies Fitch, S&P and Moody's. Based on the factors above and advice from the Treasury Management advisors, Arlingclose, the Director of Corporate Resources has varied investment duration

limits for new investments according to the assessment of credit risk and will suspend investing with individual counterparties at any time if this is felt to be necessary to protect the County Council's capital.

- 5.5 During March 2014 Moody's downgraded NatWest, the County Council's banker, to Baa1, one notch below the minimum criteria of A-/A3. The County Council was prepared for this eventuality with investments already being limited to overnight. As a result of this news the County Council withdrew all of its investments in accordance with the Treasury Management Strategy.
- 5.6 As outlined in the Strategy the Council's banker is slightly different to all other investment counterparties and although new investments have been suspended, NatWest will continue to hold small amounts of the County Council's cash balances as a result of its banking services. The County Council and its advisors, Arlingclose, are maintaining a careful watch on NatWest and can take further action to protect the County Council's funds if there are additional negative indicators.
- 5.7 The County Council maintained a sufficient level of liquidity through the use of Money Market Funds and the use of call accounts. The County Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK base rate was maintained at 0.5% through the year and short term money market rates remained at very low levels which had a significant impact on cash investment income. The County Council's average cash investment balance was £597.1m during 2013/14, and interest earned was £5.4m giving a yield of 0.90%.

6. **Compliance with Prudential Indicators**

- 6.1 The County Council can confirm that it has complied with its Prudential Indicators for 2013/14, which were set in February 2013 as part of the County Council's Treasury Management Strategy Statement. Performance against each of the indicators is shown in Appendix 1.

7. **Update on the 2014/15 Investment Strategy**

Higher yielding investments

- 7.2 As part of the County Council's 2014/15 Treasury Management strategy approved in February 2014 and effective immediately, a number of changes to the investment strategy were approved to increase both the security of the County Council's investments and increase the yield earned on investments.
- 7.3 It was agreed that £90m of the County Council's cash balances could be set aside for long term investments (of up to 30 years) in order to increase the interest earned. These investments will be made with the assistance of the County Council's advisors Arlingclose during 2014/15; initially aiming to target investments with other Local Authorities, but also considering investments in pooled property, equity and bonds, if there are favourable opportunities.
- 7.4 To date opportunities to invest with other Local Authorities have been more

limited than expected, possibly due to the most Central Government funding being granted at the beginning of the financial year, making it a time when Local Authorities are less willing to enter into long term borrowing arrangements. Based on Arlingclose`s advice the County Council has built up an £8.8m position in long-dated Transport for London bonds yielding an average of 3.74%. In addition the County Council has made a £10m commitment to invest in the CCLA Local Authorities` pooled property fund at the end of May 2014. The County Council with the assistance of Arlingclose is continuing to look for additional opportunities to invest the remainder of the allocated £90m, and further options are currently being considered.

Bond investments

- 7.5 As reported in the 2014/15 Treasury Management Strategy the Financial Services (Banking Reform) Act 2013 and additional EU legislation now prevents Central Government from `bailing out` banks that get into financial difficulty, as they did in 2008. This increases the risk to capital of institutional investors, such as the County Council, of being `bailed-in` to support a failing bank, as already seen in Cyprus, to a limited extent with investors in the Co-op Bank and a small number of other examples across Europe.
- 7.6 In response to this risk the 2014/15 Treasury Management Strategy reduced the individual counterparty limit for investments, thereby limiting the Authority`s exposure to any single institution. Based on Arlingclose`s advice to further diversify the Authority`s investments it is recommended it considers investing in high credit quality bonds issued by banks and other private companies, which offer two advantages. By not being limited to banks this will increase the number of counterparties the Authority can invest in, further diversifying the level of overall counterparty risk. In addition bond investments that are issued by banks are treated differently to cash investments and are not subject to `bail-in` risk.
- 7.7 It is recommended that bond investments are added to the County Council`s investment strategy and the duration of any non-local authority bond investment should be linked to the counterparties credit rating as follows:

Counterparty		Cash limit	Time limit
Banks and other organisations issuing bonds whose lowest published long-term credit rating from Fitch, Moody`s and Standard & Poor`s is:	AAA	£80m per counterparty (including other types of invest)	10 years
	AA+		5 years
	AA		4 years
	AA-		3 years
	A+		2 years
	A		1 year

- 7.8 Any bond investment of more than 1 year`s duration will count as a non-specified investment under the Department of Communities and Local Government`s guidance and be limited by the £250m limit on investments greater than one year specified in the County Council`s investment strategy.

Annex 1 – Compliance with Prudential Indicators

The County Council approved the adoption of the CIPFA Treasury Management Code at its meeting on 18 February 2010. In compliance with the requirements of the Code this section of the report provides Members with a summary of actual performance against each of the Prudential Indicators.

1. Capital Financing Requirement (CFR)

Estimates of the Authority's cumulative maximum external borrowing requirement for 2013/14 to 2015/16 are shown in the table below:

	31/03/14 Approved £m	31/03/14 Revised £m	31/03/14 Actual £m	31/03/15 Estimate £m	31/03/16 Estimate £m
Capital Financing Requirement	769	769	771	761	739

2. Gross Debt and the Capital Financing Requirement

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

Debt	31/03/14 Approved £m	31/03/14 Revised £m	31/03/14 Actual £m	31/03/15 Estimate £m	31/03/16 Estimate £m
Borrowing	379	369	373	354	343
PFI liabilities	163	163	160	184	176
Total Debt	442	532	533	538	519
Borrowing in excess of CFR?			No	No	No

Total debt is expected to remain below the CFR during the forecast period.

3. Authorised Limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and

above the operational boundary for unusual cash movements.

There were no breaches to the Authorised Limit and the Operational Boundary during 2013/14; borrowing at its peak was £581m.

	Operational Boundary (Approved) 31/03/2014	Authorised Limit (Approved) 31/03/2014	Actual External Debt 31/03/2014
Borrowing	630	660	409
Other Long-term Liabilities	170	210	160
Total	800	870	569

4. Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Lower Limit %	Upper Limit %	Actual Fixed Rate Borrowing at 31/03/2014		Compliance with Set Limits?
			£m	%	
under 12 months	0	50	14.6	4.0	Yes
12 months and within 24 months	0	50	11.5	3.1	Yes
24 months and within 5 years	0	50	33.9	9.2	Yes
5 years and within 10 years	0	75	43.6	11.8	Yes
10 years and within 20 years	0	75	130.0	35.3	Yes
20 years and within 30 years	0	75	119.0	32.3	Yes
30 years and within 40 years	0	100	10.0	2.7	Yes
40 years and above	0	100	6.0	1.6	Yes

5. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed.

	Approved Limits for 2013/14	Maximum during 2013/14	Compliance with Limits:
Upper Limit for Fixed Rate Borrowing	810	458	Yes
Upper Limit for Variable Rate Borrowing	810	123	Yes
Upper Limit for Fixed Rate Investments	600	422	Yes
Upper Limit for Variable Rate Investments	510	339	Yes

6. Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council tax. Capital expenditure has been and will be financed or funded as follows:

Capital Expenditure and Financing	31/03/14 Approved £m	31/03/14 Revised £m	31/03/14 Actual £m	31/03/15 Estimate £m	31/03/16 Estimate £m
Total Expenditure	256	220	212	284	218
Capital receipts	17	14	15	8	14
Government Grants	88	63	88	114	96
Capital reserve	17	8	-23	41	18
Revenue contributions	25	28	28	29	29
Capital contributions (from other bodies)	18	18	18	31	31
Contributions from reserves	4	3	2	19	4
Total Financing	169	134	128	242	192
Supported borrowing	25	30	35	4	0
Prudential borrowing	27	21	17	9	26
Finance lease	35	35	32	29	0
Total Funding	87	86	84	42	26
Total Financing and Funding	256	220	212	284	218

7. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

	31/03/14 Approved	31/03/14 Revised	31/03/14 Actual	31/03/15 Estimate	31/03/16 Estimate
Ratio of Financing Costs to Net Revenue Stream	9.56%	7.58%	7.38%	7.53%	7.40%

8. Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Authority adopted the principles of best practice.

The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* on 18 February 2010.

9. Upper Limit for Total Principal Sums Invested Over 364 Days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

	31/03/14 Approved £m	31/03/14 Revised £m	31/03/14 Actual £m	31/03/15 Estimate £m	31/03/16 Estimate £m
Sums Invested Over 364 Days	150	250	96	250	250

Appendix 3

Capital spending and financing 2013/14

1 Introduction

1.1 This Appendix reports that:

- ◆ capital schemes costing £188.2m were started during 2013/14 from the approved capital programme for the year of £296.4m
- ◆ this left £108.2m for named projects not started by 31 March 2014 which will be carried forward to 2014/15, subject to Cabinet's approval
- ◆ capital payments of £212.2m were incurred in 2013/14 and this can be financed within available resources
- ◆ this includes capital payments of £32.0m on the street lighting private finance initiative scheme which will be financed by means of a finance lease funded from Government grant
- ◆ it is proposed that, under the Prudential Code for Capital Finance, new prudential borrowing of £19.0m is used in 2013/14 to fund previously approved schemes. Government grant support will not be available to finance this borrowing
- ◆ repayments of prudential borrowing from capital receipts and other sources total £1.7m in 2013/14
- ◆ £23.2m of resources will be transferred to the capital reserve in 2013/14 for use in funding schemes that have been carried forward to 2014/15
- ◆ capital receipts of £15.4m were achieved from the sale of assets in 2013/14.

2 Capital programme for 2013/14

2.1 Table 1 below shows that 63.5% of the capital programme for 2013/14 of £296.4m was started in the year.

Table 1 - Capital schemes committed in 2013/14	£000	%
Approved value of the capital programme for 2013/14	296,451	100.0%
Schemes committed in 2013/14	188,236	63.5%
	-----	-----
Balance of cash limit at 31 March 2014	108,215	36.5%
	-----	-----

Table 1 - Capital schemes committed in 2013/14	£000	%
Schemes for which approval to carry forward to 2014/15 is now requested	96,700	32.9%
Schemes previously approved for carry forward	11,515	3.9%
	-----	-----
Total cash limit to be carried forward to 2014/15	108,215	36.5%
	-----	-----

2.2 An analysis by service of the figures in Table 1 is included in Annex 1.

3 Carry forward of schemes not committed by 31 March 2014

3.1 The approval of Cabinet is required for proposals to carry forward schemes not started at 31 March 2014. The total value of such schemes is £108.2m. This includes £11.5m of Children's Services schemes for which approval to carry forward to 2014/15 has previously been given during 2013/14. These amounts are largely committed against named projects.

3.2 As Table 2 shows, the proportion of the 2013/14 programme committed in the year, at 63.5%, is a little higher than the level achieved in 2012/13.

Table 2 – Percentage of capital programme committed

	2012/13 £m	2013/14 £m
Value of projects		
- committed	132.9	188.2
- carried forward	117.1	108.2
	-----	-----
Total programme	250.0	296.4
	-----	-----
Percentage committed	53.2%	63.5%

3.3 Individually, most of the schemes and provisions to be carried forward are relatively small amounts. The larger schemes include:

- ◆ extra care housing provision from the capital programmes for 2012/13 and 2013/14 (£20.5m) – two projects are well advanced. An accelerated plan is now in place following a countywide assessment of site suitability
- ◆ Children's Homes – six new family unit children's homes to offer a suitable location and home environment for looked after children (£4.1m) – awaiting agreement of strategy and site locations
- ◆ joint funded schools capital maintenance programme (£3.0m) – future projects planned and contracts being let

- ◆ Children’s Services contingency provision carried forward to cover future pressures on the capital programme (£9.1m)
- ◆ structural maintenance of roads and bridges – highways flood recovery programme (£4.2m). Government grant allocated in March 2014. Work to be completed in 2014/15
- ◆ capital repairs schemes funded from local resources and Government grant (£19.7m)
- ◆ rural broadband (£9.3m). Project in progress and this provision is likely to be required in 2014/15
- ◆ land at Manydown, Basingstoke – payments to become an equal tenant with Basingstoke and Deane Borough council (£4.5m)
- ◆ strategic land promotion, development and disposal (£3.0m)
- ◆ energy performance project phase 1 (£1.4m). Design and procurement plan and verification survey work have been completed. Work is programme to start in 2014/15
- ◆ Strategic land purchase and subsequent improvement of the asset (£2.0m). Plans being finalised.

4 Capital expenditure and financing 2013/14

- 4.1 Total expenditure actually incurred in 2013/14, arising from the capital programme for 2013/14 and earlier years, was £212.2m. This is £7.5m or 3.4% lower than the revised estimate for 2013/14. The timing of capital expenditure flows between financial years is often difficult to predict. The delays in committing a significant proportion of the capital programme for 2013/14, as shown in Table 2, will have reduced the level of payments in the year.
- 4.2 An analysis of the expenditure of £212.2m by service and type is included in Annex 2.
- 4.3 The proposed method of financing this expenditure is summarised in Table 3:

Table 3 – Capital financing 2013/14

	Adjusted revised estimate £000	Actuals £000	Variation £000
Government supported borrowing	29,988	34,675	+4,687
Finance lease for street lighting PFI	35,670	32,037	-3,633
Prudential borrowing - for capital schemes	22,557	18,981	-3,576

Table 3 – Capital financing 2013/14

	Adjusted revised estimate £000	Actuals £000	Variation £000
- repayments of specific schemes	-1,837	-1,730	+107
Government capital grants	62,988	87,543	+24,555
Contributions from developers and outside agencies	17,994	18,579	+585
Capital receipts	14,108	15,365	+1,257
Revenue reserves	2,415	2,415	-
Revenue contributions			
- general corporate provision	13,794	14,069	+275
- funded by Dedicated Schools Grant for capital repairs in schools	9,446	9,171	-275
- school repairs funded under service level agreement with schools	4,302	4,302	-
	-----	-----	-----
Total capital resources	211,425	235,407	+23,982
Transfers from/to capital reserve			
- planned use of capital reserve to fund payments	8,314	-	-8,314
- transfer to capital reserve	-	-23,196	-23,196
	-----	-----	-----
Total funding for payments in 2013/14	219,739	212,211	-7,528
	-----	-----	-----

4.4 Spending on locally resourced capital schemes in 2013/14 was lower than estimated, particularly on structural maintenance of roads and bridges, and the unused resources of £23.2m will be carried forward to 2014/15.

5 Borrowing

5.1 Since 1 April 2004, local authorities have been permitted to borrow for capital purposes without specific approval from the Government, provided their actions meet the requirements of the Prudential Code for Capital Finance introduced by the Local Government Act 2003. This is known as 'prudential borrowing'. It does not attract any support from the Government towards the repayment and interest costs, which fall wholly on the County Council's own resources.

5.2 Cabinet agreed criteria for the use of prudential borrowing in November 2003, with revisions in February 2006. Since then, its use has been agreed for a number of capital schemes, primarily on an invest-to-save basis. It is proposed that a total of £19.0m is borrowed in 2013/14 for these schemes, in accordance with the approved criteria.

- 5.3 Prudential borrowing of £1.7m has been repaid in 2013/14 from the use of capital receipts and developers' contributions.
- 5.4 The Prudential Code includes a number of indicators intended to illustrate whether local authorities are acting prudently. The County Council's latest position on these prudential indicators following the 2013/14 outturn is summarised in Appendix 2. It shows that the County Council continues to be in full compliance with the requirements of the Code.
- 5.5 Capital grants from the Government of £87.5m have also been used to finance capital expenditure in 2013/14.

6 Capital receipts

- 6.1 Capital receipts from the sale of land and property in 2013/14 were £15.4m in total. This has been used to fund capital expenditure in the year.
- 6.2 Services' proposed shares of capital receipts in 2013/14 are summarised in Annex 3. The County Council's policy allows services to retain 25% of capital receipts from the sale of their assets, with up to 100% for approved rationalisation schemes.
- 6.3 In line with this policy, services are entitled to £11.9m of the £15.4m received in 2013/14. Cabinet has previously approved the addition of majority of this amount to services' capital programmes, leaving a total of £1.7m for which approval is now required for allocation to services, as set out in Annex 3.

Annex 1

Analysis of capital programme 2013/14 and requests by services to carry forward capital schemes to 2014/15

	(1) Approved value of programme	(2) Schemes committed in 2013/14	(3) Schemes for which approval to carry forward is now requested	(4) Schemes already approved for carry forward	(5) Unallocated cash limit available for carry forward to 2013/14	(6) Total cash limit carried forward to 2013/14 (columns 3+4+5)
	£000	£000	£000	£000	£000	£000
Adult Services	25,317	3,249	22,068	-	-	22,068
Children's Services	106,191	72,982	21,694	11,515	-	33,209
Economy, Transport & Environment	78,399	68,433	9,966	-	-	9,966
Policy and Resources	86,544	43,572	42,972	-	-	42,972
Total	296,451	188,236	96,700	11,515	-	108,215
	100.0%	63.5%	32.6%	3.9%	-	36.5%

The amounts to be carried forward are largely committed against named projects

Annex 2

Summary of capital expenditure in 2013/14

Analysis by service

	£000	%
Adult Services	4,507	2.1
Children's Services	88,038	41.5
Economy, Transport & Environment	100,833	47.5
Policy and Resources	18,833	8.9
	-----	-----
	212,211	100.0
	-----	-----

Analysis by type of expenditure

	£000	%
Land	842	0.4
Construction work	173,337	81.7
Fees and salaries	24,757	11.7
Furniture, equipment and vehicles	13,275	6.2
	-----	-----
	212,211	100.0
	-----	-----

Annex 3

Analysis of capital receipts 2013/14

	(1) Net capital receipts	(2) Costs of sales	(3) Shares from in/out and other schemes previously added to programme	(4) now available to be added to programme	(5) 25% share of qualifying receipts now due to services
	£000	£000	£000	£000	£000
Adult Services	431	13	418	-	-
Children's Services	6,331	4	5,960	16	88
Economy, Transport & Environment	230	-	-	-	57
Policy and Resources	8,373	25	3,836	1,172	362
	-----	-----	-----	-----	-----
	15,365	42	10,214	1,188	507
	-----	-----	-----		
Total now to be added to services' programmes				1,695	

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