WYPCC – Decision

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Timing:	Decision required as part of the closure of accounts for 2012/13
Purpose:	Decision on utilisation of the underspend in 2012/13 and 2013/14.
Cleared by:	Fraser Sampson

SUBJECT OF ADVICE Treatment of the underspend for 2012/13 and 2013/14

Summary: The provisional outturn for 2012/13 is an underspend of £23.743m, and the Commissioner is requested to consider utilisation of this to assist future years' budgets. An underspend of around £14m was built into the 2013/14 budget, and it is proposed to utilise part of this to replace prudential borrowing.

Recommendation: That the Commissioner agrees the proposals set out below.

Consideration: The force provisional outturn is an underspend of £23.743m. This has been forecast throughout the financial year, with an estimate in excess of £18m being reported in February, and results largely from officers and staff leaving the force more quickly than anticipated. A full report on the outturn will come to the next Budget Planning Seminar.

The following treatment is proposed:

Transfer to the Devolvement Reserve for utilisation by devolved budget holders in 2013/14, as provided for in Financial Regulations - £4m.

Transfer to the PFI Sinking Fund - £3.2m. This represents the budgeted contribution to the PFI scheme over the next four years (£800k per annum). An early contribution will provide some flexibility in future years and assist in the overall budget reductions in the medium term, without increasing the amount payable over the life of the scheme.

Transfer to general balances - £16.5m. This will take the amount held as general balances to £41.165m as at 31 March 2013. In the budget report utilisation of £6m of general balances per annum was included in the medium term financial forecast to smooth the ongoing reduction in the budget through to 2016/17. It is proposed that this be increased by £5m over the period, as indications are that the budget reductions are likely to be higher than forecast. This will leave an estimated sum of

£12.165m in general balances by 31 March 2017. The minimum prudent level of general balances, as assessed using the risk matrix methodology, is around £7.3m.

The people forecast included in the budget report for 2013/14 indicated a surplus of £14m in 2013/14, again because officers and staff are leaving more quickly than required to balance the budget for the year. While this is helpful in the short term, the longer term forecast is still for a shortfall in future years. In order to reduce the base budget on an ongoing basis, it is proposed that part of this be utilised to replace prudential borrowing, which is currently forecast at £10.356m in 2013/14, prior to any slippage in the capital programme from 2012/13. Each £1m of prudential borrowing adds approximately £85k to the base budget. Utilising the surplus to finance capital directly would therefore reduce the base budget by £880k per annum over the next twenty five years.

Affordability: As set out above.

Supporting and Dissenting Views: Both CFOs recommend the approach outlined.

APPENDICES: None