

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 18 May 2011

PROVISIONAL REVENUE AND CAPITAL OUTTURN 2010/11

Issue for Decision

1. To consider the provisional revenue and capital outturn figures for 2010/11 and the impact of these figures on future financial planning.
2. The provisional figures on treasury management and other balance sheet items were also considered.

Decision Made

1. That the provisional outturn figures for revenue and capital for 2010/11 be noted.
2. That the provisional funding of capital expenditure in 2010/11 be agreed.
3. That the carry forward of revenue resources of £1.73m for the financing of future capital expenditure be agreed.
4. That the carry forward of grant funding as detailed below be approved.

Service	Balance of Grant £	Description
Museum	2,400	Two grants: <ul style="list-style-type: none">• Japanese Access• Regimental Association Bartlett request
Playground Improvements	12,502	Lottery Grant for Youth Involvement Project
Community Development – Sport	17,600	Five Grants: <ul style="list-style-type: none">• KCC Sports Development – Clubmark• KCC – Joint Youth Agreement• Home Office – Community Safety, Boxing Development• Youth Opportunity Fund – DMAX• FLO Referrals – Hotfoot
Waste	170,000	WRAP grant for food waste service
Pollution Control	22,000	Air Quality Grant
Planning & related services	168,700	Housing & Planning Delivery Grant
Youth Forum	700	Youth Opportunity Fund – Dance Project
Community Safety	44,000	Multiple Initiatives from partnership funds
Social Inclusion	26,000	Two Grants: <ul style="list-style-type: none">• South East Employers – LSP Development• West Kent PCT – Heath Preventative Fund
Business Development	363,600	Growth Point Revenue Grant
Sustainable Development	36,100	Performance Reward Grant
Total	863,602	

5. That the revenue carry forward requests as set out in Appendix B of the report of the Head of Finance and Customer Services from 2010/11 into 2011/12 based on the previously agreed criteria be agreed.
6. That the impact on the balance sheet of the provisional outturn 2010/11 be noted.

Reasons for Decision

The purpose of the report of the Head of Finance and Customer Services is to facilitate good financial management. The report gives provisional figures for revenue and capital outturn, to allow early consideration of any issues resulting from them not only in the current financial year but in terms of any impact on the Medium Term Financial Strategy.

Final expenditure figures for revenue and capital will be reported to June 2011 Cabinet meeting, along with the key issues from the Statement of Accounts and Treasury Management performance. These reports will be followed, at the July Cabinet Meeting, by the initial Budget Strategy report for the following financial year and the Medium Term Financial Projection for a further four years.

Revenue

Appendix A to the report of the Head of Finance and Customer Services is a summary of the provisional revenue outturn for 2010/11 compared to the revised estimate approved by Cabinet in February 2011 and Council in March 2011. Also shown is the amended revised estimate, taking into account any changes in capital financing costs necessitated by changes in actual capital expenditure. This is provided to ensure a more accurate comparison with the outturn position, as it eliminates fluctuations in capital spend. Appendix A to the report of the Head of Finance and Customer Services shows a net unadjusted underspend of £3.99m.

Appendix A to the report of the Head of Finance and Customer Services also details the variance by portfolio and the major reasons for the variances are as follows:

- a) Leader – the savings as a result of the early changes to the establishment have been accumulated within the contingency budget in this portfolio. This portfolio also holds the unused contingency of £0.2m for concessionary fares. Together these total £0.56m;
- b) Corporate Services – the budget for revenue support to the capital programme is within this portfolio and a balance of £1.73m remains of this sum and is dealt with in detail later in this report;
- c) Environment – the budget variance represents the balance of WRAP funding for the food waste service and the underspend on concessionary fares of £0.36m;
- d) Regeneration – the under spend represents the balance of growth point revenue grant. This grant has been programmed for expenditure on schemes over a minimum three year period. A re-assessment of scheme priorities will occur in 2011/12 to ensure focus on the strategic plan priorities.

Proposals for the financing of the capital programme, detailed later in the report of the Head of Finance and Customer Services include the use of capital receipts and grants. This means resources identified from revenue budgets to finance capital expenditure are not required until 2011/12. The variance of £1.73m remains essential to the financing of the future capital programme. It is recommended that this money is set aside for this use in 2011/12, in order for the capital programme to remain affordable.

After adjusting the variance of £3.99m for the unused capital support, detailed above, a balance of £2.26m remains. Of this sum there is £0.86m of grant aid that has not been spent in 2010/11 and will be carried forward for use on the specified schemes in 2011/12. Following this carry forward, £1.4m remains of the variance.

Appendix B to the report of the Head of Finance and Customer Services is a schedule of provisional carry forward requests, into 2011/12, totalling £0.25m. These have been categorised according to the criteria used for decision making by Cabinet last year. This gives two categories in the table:

- a) Request where a contractual commitment exists;
- b) Other requests.

If the full list of requests for carry forward is approved, the balance available for other actions or transfer to general balances is £1.15m.

The joint report of the Assistant Director or Regeneration and Cultural Services and the Theatre and Events Manager, referring to urgent works to the heating system at the Hazlitt Theatre, considers this revenue underspend as one option to identify £0.31m of funding for these works.

Capital

Appendix C to the report of the Head of Finance and Customer Services is a summary of capital spend against the revised estimate. This has identified only minor slippage since the programme was agreed by Council in March 2011. This figure is the net effect of slippage into and from 2011/12.

The expenditure outlined at Appendix C to the report of the Head of Finance and Customer Services can be funded from capital resources. Proposed funding is summarised in the following table:

Resources	£,000
Capital Receipts	4,063
Capital Grants	3,648
Revenue	48
Total	7,759

This funding proposal is developed on the basis of using the most flexible resources last. This means that grants and capital receipts have been utilised in preference to revenue support. The consequence of this decision is detailed in paragraph 1.4.2 of the report of the Head of Finance

and Customer Services, which recommends the carry forward of revenue resources set aside to finance capital expenditure as this is the resource that remains unused.

Balance Sheet

The provisional outturn figures have an impact on various elements of the Balance Sheet and these are summarised as follows.

Asset Sales

The revised estimate assumed asset sales for 2010/11 of £5.6m. The provisional outturn figures show cash backed Capital Receipts, net of costs, of £5.3m. This is a shortfall of £0.3m which relates to cost such as the demolition of the Tonbridge Road sites, which regulations allow to be offset against sale proceeds. Not all available receipts have been utilised in the financing of the capital programme, these receipts will be required to finance future years' expenditure.

Investments

The Treasury Management Strategy report to Cabinet agreed in February 2011 anticipated year end investments of approximately £18.0m. The actual investment at March 2010 totalled £21.0m. The provisional assessment of the increase shows that the main elements of the increase include the following:-

Reason	£000
Revenue Slippage as detailed in the report	1,000
Grant to be repaid to DWP/ DCLG	2,000

The overall changes to the level of investments will have no impact on the Strategy itself. The changes will have a short term impact as the additional resources will be required during the course of 2011/12.

Daily monitoring of cash-flow has confirmed that the Prudential Indicators that Council set for 2010/11 have been complied with.

Fixed assets

The capital investment achieved in 2010/11 resulted in investment in the Council's property portfolio of £4.06m out of a total spend of £7.76m. The balance of the spend is in areas such as support for social housing, renovation grants, etc which do not contribute to the Authority's asset base and have been written off, through the revenue account, as deferred charges.

Useable capital receipts

As a result of the level of capital investment and the level of capital receipts received in 2010/11, the level of useable capital receipts has decreased from £2m at March 2010 to £1.5m at March 2011.

Balances

Balances are set out in Appendix D to the report of the Head of Finance and Customer Services. The overall level of balances at March 2011 will be £10.0m, compared to £8.4m at March 2010. However, after allowing for the commitment to carry forwards and the planned use in 2011/12, the provisional level of uncommitted balances is £3.8m.

Alternatives considered and why rejected

The reporting of revenue outturn could wait until Cabinet in June 2011, when final figures are available in the Statement of Accounts prior to external audit; however, this is not thought appropriate as providing provisional outturn to Cabinet at this time facilitates good financial management and aids consideration of issues within the current financial year and helps inform future budget strategy.

Background Papers

Budget Monitoring report 2010/11
Cabinet quarterly monitoring report 2010/11
Agresso General Ledger system reports

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Change and Scrutiny by: **25 May 2011**