

Policy & Resources Committee

29 July 2015

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Revenue & Capital Outturn 2014-15

Final Decision-Maker	Policy and Resources Committee
Lead Director or Head of Service	Director of Regeneration & Communities
Lead Officer and Report Author	Head of Finance & Resources / Chief Accountant
Classification	Non-exempt
Wards affected	All

This report makes the following recommendations to the final decision-maker:

1. Note the provisional outturn for revenue and capital for the 2014-15 financial year.
2. Note the carry forward of grant funding from 2014-15 to 2015-16, as detailed in Appendix II.
3. Agree the provisional funding of capital expenditure in 2014-15 as set out in paragraph 4.3.3.

This report relates to the following corporate priorities:

The revenue and capital budgets provide resources for all of the objectives of the council.

Timetable

<i>Meeting</i>	<i>Date</i>
Policy and Resources Committee	29 July 2015

Revenue & Capital Outturn 2014-15

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report provides detail on the revenue and capital outturn figures for 2014-15 and provides some initial consideration of the impact of these figures on the Council's future financial planning.
 - 1.2 The report also provides the committee with outturn figures on treasury management and other balance sheet items.
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2. INTRODUCTION AND BACKGROUND

- 2.1 The purpose of this report is to facilitate good financial management. It presents outturn figures for revenue and capital expenditure to provide clarity about the council's financial position and enable the committee to consider any issues or risks arising in the current or future financial years.
 - 2.2 The medium term financial strategy and the strategic plan will undergo a full review during 2015-16 for the forthcoming five year period 2016-17 to 2020-21. The strategy will continue to identify the impact of the government's fiscal plans and their effect on local government. Current assumptions are that the government's general support to local government through revenue support grant will be removed completely by 2020.
 - 2.3 A provisional report on the proposed use of the potential revenue underspend was taken to Cabinet on 14 April 2015. The proposals agreed at that meeting totalling £400,000 can all be met from the 2014/15 underspend.
 - 2.4 In addition to this, the committee is asked to note carry forward of unspent grants detailed in Appendix II. These amounts have been carried forward into 2015/16 and will be utilised to fulfil the purpose for which funding was awarded during the forthcoming year.
 - 2.5 The revenue outturn does not allow further carry forward requests to be approved and officers have been advised that this report does not propose approval of further carry forward requests over those set out above.
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3. AVAILABLE OPTIONS

- 3.1 Providing this outturn information to the Policy and Resources Committee at this time facilitates good financial management and aids consideration of issues within the current financial year which helps to inform future budget strategy. The committee could choose to defer this report until the outturn position has been finalised on conclusion of the external audit in September 2015.

- 3.2 This is not recommended as early review of the outturn information is considered to facilitate good financial management.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 Impact on future financial planning

- 4.1.1 The council has ended 2014-15 with a minor adverse variance on the revenue account of £0.02m, which can be comfortably met from balances. A small number of service areas have ended the year with significant adverse variances, and these have all received a higher level of focus during the year. Actions taken in these service areas during 2014/15 will mean a reduced or removed pressure on future budgets.
- 4.1.2 In summary, the year end position is a result of previously agreed proposals for the use of the projected under-spend, which were detailed within the report to Cabinet on 14 April 2015.
- 4.1.3 The capital programme has remained within the expected levels detailed within quarterly monitoring reports during 2014-15 and is fully funded.
- 4.1.4 By the end of 2015-16 general balances are expected to be £5.2m, which is £2.9m above the working limit previously set by Cabinet in February 2015. Some of this resources has been provisionally allocated by previous decisions of the Cabinet and the unallocated available balance is £1.5m.
- 4.1.5 The level of collection of Council Tax and Non-Domestic Rates is considered to be at an acceptable level and an adequate provision exists to cover bad debt and the predicted level of current and future appeals in relation to business rates for 2014-15 and prior years.
- 4.1.6 Considered together, these factors have enabled the council to begin 2015-16 on a financially sound basis with the ability to carefully consider options for the most appropriate actions to ensure an effective Medium Term Financial Strategy for the period 2016-17 to 2020-21.

4.2 Revenue

- 4.2.1 Appendix I summarises the variances by portfolio. The major reasons for the variances are detailed in the following paragraphs by portfolio to reflect the council's governance arrangements for the 2014-15 financial year:
- 4.2.2 The Leader's portfolio shows a positive variance of £0.46m. This has largely resulted from additional grants received during the year in anticipation of new financial burdens arising from changes in legislation, and lower than budgeted audit fees.
- 4.2.3 The Community and Leisure Services portfolio is reporting a favourable variance of £0.02m. However, within this portfolio, there are adverse variances arising from unmet income and savings targets within the Mote Park

and CCTV budgets, and favourable variances arising from unspent grant funding.

- 4.2.4 The Corporate Services portfolio is reporting a positive variance of £1.4m resulting grant funding which is planned to be spent in subsequent years.
- 4.2.5 The Economic and Commercial Development portfolio is reporting an adverse variance of £0.09m, resulting from lower than expected income and unexpected maintenance costs within the museum budget.
- 4.2.6 The Environment portfolio is reporting an overall adverse variance of £0.4m. Within this portfolio, the following significant variances have contributed to this:
- The bed and breakfast budget has continued to show a substantial overspend, as reported throughout the year as part of quarterly budget monitoring. The use of Aylesbury House has helped to address this issue but does not fully compensate for the additional expenditure, and the service ended the year with an overspend of £0.4m.
 - Also reported throughout the year is the unmet income target for the crematorium. This service ended the year with an overspend of £0.08m, which is thought to have resulted from exceptional income levels during the previous year due to the closure of Medway Crematorium for refurbishment.
 - Income from green waste bin hire has continued to exceed the budget, with this service ending the year with a net positive variance of £0.2m.
- 4.2.7 The Planning, Transport and Development portfolio has ended the year with a net positive variance of £0.5m, which has largely resulted from the following factors which have been reported previously as part of quarterly monitoring:
- Development control income has continued to exceed the budgeted figure, with a positive variance of £0.2m at the end of 2014/15.
 - Income from on and off street parking has also continued to exceed targets, with a combined variance totalling £0.3m from these services. However, it should be noted that this income is ring fenced so this does not represent a general underspend.

4.3 Capital

- 4.3.1 Attached at Appendix III is a summary of capital spend against the revised estimate. The current estimate reflects slippage totalling £12.9m agreed by Cabinet during the course of the year.
- 4.3.2 Schemes identified in Appendix III by an asterisk (*) are funded or partly funded from specific resources such as s106 or external contribution and not from the Council's own capital resources.

4.3.3 Expenditure of £5.4m outlined in Appendix III can be funded entirely from available capital resources. Proposed funding is summarised in the following table:

Resources	£
Capital Receipts	1,155,915
Capital Grants & Contributions (incl. s106)	1,320,718
Support from revenue budgets	2,924,667
TOTAL	5,401,300

4.3.4 This proposal is based on the principle of using the most flexible resources last, meaning that grants and capital receipts are used in preference to revenue support.

4.3.5 The Council has approved prudential borrowing of up to £6m for the acquisition of commercial assets but not for general capital expenditure. It is possible for the Council to borrow its own revenue resources and repay the loan at a later date when it becomes more advantageous to borrow from the market. This year the Council has acquired one such asset and could have borrowed from its own or external resources to finance the acquisition. Careful consideration of the options has led to the conclusion that borrowing is not necessary at this time. This is because the resources that would be used to facilitate internal borrowing are already set aside for capital expenditure in future years and are not revenue balances intended for later revenue expenditure. This means the direct use of the resources to finance the acquisition will have an identical impact to internal borrowing on the future capital programme.

4.3.6 It is recommended that the committee consider and approve the provisional financing of the capital programme as set out in the table at 4.3.3. The consequence of the recommended financing is detailed in paragraph 4.3.7 below.

4.3.7 In line with the policy of using capital resources first, some of the resources identified from revenue budgets to finance capital expenditure will not be required until 2015-16 or later years creating a revenue variance. This represents a resource that is essential to the financing of the future capital programme and last year the Council agreed to the creation of an earmarked reserve to manage this resource. The balance of unused revenue financing has been transferred to this reserve.

4.4 Balance Sheet

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

Capital Receipts

- 4.4.2 The provisional outturn figures show cash backed capital receipts, net of costs of £1.12m. This is greater than estimated and is largely a consequence of additional receipts from Golding Homes' Right-to-Buy sales.

Collection Fund

- 4.4.3 At the end of the financial year the target collection rate was met for council tax and narrowly missed for non-domestic rates. At this time it is predicted that there will be surplus of £3.16m on the collection fund for 2014-15. This surplus will be formally shared between preceptors during 2016-17. The collection rates, compared to target, are as follows:

Collection Rates	Target %	Actual %
NNDR	97.80	97.68
Council Tax	98.40	98.40

- 4.4.4 The council entered into a business rates pool with Kent County Council for 2014-15, in order to minimise the levy payment due to central government and thereby maximise local retention of business rates growth. For 2014-15, the total benefit of pool membership is estimated to be £0.48m, which will be shared as follows:

Kent County Council share – 30%	£144,119
Maidstone Borough Council share – 30%	£144,119
Kent Pool Growth Fund – 30%	£144,119
Contingency – 10%	£48,040
Total	£480,397

Investments

- 4.4.5 The Treasury Management Strategy 2015-16 agreed by Council in February 2015 anticipated year end investments of approximately £22.4m for the 2014-15 financial year. Actual investments at 31 March 2015 totalled £21.0m. This minor change to the level of investments will have no impact on the strategy or the revenue account during the course of 2015-16. Daily monitoring of cash-flow has confirmed that the prudential indicators that council set for 2014-15 have been complied with.

Fixed Assets

- 4.4.6 The capital investment achieved in 2014-15 resulted in investment in the Council's property portfolio of £2.33m. Other spending in this area has been 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 revenue expenditure funded from capital under statute.

Useable capital receipts

- 4.4.7 As a result of the level of capital investment and the level of capital receipts received in 2014-15, the level of useable capital receipts at 31 March 2015 is £0.15m (2013/14 £0.19m).

Balances

- 4.4.8 The overall level of balances at 31 March 2015 is expected to be £15.29m, compared to £15.44m at 31 March 2014. This includes earmarked reserves of £8.28m. After allowing for the commitment to carry forward capital resources, and the previously agreed use of the underspend to support corporate priorities, the provisional level of uncommitted balances is £5.2m. This means balances will be above the minimum level of working balances of £2.3m along with other resources, provisionally allocated but not committed, of £2.9m.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Not applicable.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The outturn information provided in this report has been reflected in the initial consideration of the medium term financial strategy for 2016/17 onwards, which is reported elsewhere on this agenda.
- 6.2 Once approved by this committee the financing of capital expenditure will be formalised in the statement of accounts currently being audited by the Council's External Auditor, Grant Thornton.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications
Impact on Corporate Priorities	The financial resources spent in 2014-15 and reported here reflect a focus on corporate priorities. Any under spend will be carried forward in accordance with those corporate priorities and previous commitments.
Risk Management	At this stage the financial analysis is provisional and contains some estimated values. Monthly financial monitoring by officers and quarterly by the Policy and Resources committee and will improve the accuracy of the provisional figures. These figures are produced to a timetable for the completion of the Statement of Accounts and all essential work is complete at this stage.
Financial	This report relates to overall financial position of the council. Specific implications are detailed within the body of the report.

Staffing	N/A
Legal	Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs. This report is considered support the council in fulfilling this obligation.
Equality Impact Needs Assessment	N/A
Environmental/Sustainable Development	N/A
Community Safety	N/A
Human Rights Act	N/A
Procurement	N/A
Asset Management	N/A

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix I: Summary provisional revenue outturn
- Appendix II: Schedule of grants to be carried forward
- Appendix III: Summary provisional capital outturn

9. BACKGROUND PAPERS