

**MAIDSTONE BOROUGH COUNCIL**

**CABINET**

**16 MAY 2012**

**REPORT OF HEAD OF FINANCE & CUSTOMER SERVICES**

**Report prepared by Paul Riley**  
**Head of Finance & Customer Services**

**1. PROVISIONAL REVENUE AND CAPITAL OUTTURN 2011/12**

1.1 Issue for Decision

1.1.1 This report summarises the provisional revenue and capital outturn figures for 2011/12 and provides some initial consideration of the impact of these figures on future financial planning.

1.1.2 The report also gives Cabinet provisional figures on treasury management and other balance sheet items.

1.2 Recommendation of Head of Finance & Customer Services

1.2.1 It is recommended that Cabinet:-

- a) Note the provisional outturn figures for revenue and capital for 2011/12;
- b) Agree the provisional funding of capital expenditure in 2011/12 as set out in paragraph 1.6.3 and the resulting carry forward of revenue resources, set aside to finance the capital programme in future years, of £2.304m as set out in paragraph 1.6.5;
- c) Note the carry forward of grant funding as detailed in paragraph 1.5.8;
- d) Consider and approve the revenue carry forward requests detailed in Appendix B from 2011/12 into 2012/13;
- e) Note the impact on the balance sheet of the provisional outturn 2011/12;
- f) Agree to consider proposals for the use of the resulting net under spend at its meeting in July 2012.

### 1.3 Reasons for Recommendation

- 1.3.1 The purpose of this report is to facilitate good financial management. This report gives Cabinet 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 for 2013 onwards.
- 1.3.2 In 2011 the Council implemented a series of changes to the medium term financial strategy and a four year plan to deliver savings that would meet the Government reductions in funding whilst delivering the outcomes required by the strategic plan. The Council has successfully delivered these changes for 2011/12 and this provisional report sets out the positive effect on the financial resources under the control of the Council.
- 1.3.3 If the provisional outturn detailed in this report is further amended then final expenditure figures for revenue and capital will be reported to June 2012 Cabinet meeting. At the same time financial planning and strategy reports for 2013/14 will be considered.

### 1.4 Impact on Future Financial Planning

- 1.4.1 The Council has ended 2011/12 with a net positive variance on the revenue account of £1.113m. This shows a high level of preparation for the future financial pressures the Council is expecting to face. A small number of service areas have significant adverse variances that will require additional monitoring in 2012/13. In summary the £1.113m surplus is a result of the following proposals set out in detail in this report:

	<b>£000</b>
Variance on net service spending (as per Appendix A)	4,653
Less:	
Revenue set aside to finance capital expenditure	-2,304
Grants required to be carried forward	-550
Carry Forward request set out in Appendix B	-687
<b>Variance against budget requirement</b>	<b>1,113</b>

- 1.4.2 The Capital Programme remains significantly on target and is fully funded, subject to the approval of the carry forward of revenue resources recommended in this report.
- 1.4.3 By the end of 2012/13 general balances are expected to be £2.096m above the working minimum set by Cabinet in February 2012. In addition resources of £0.514m exist for invest-to-save proposals and

£0.798m remains of the VAT reimbursement arising from the "Fleming" claims made by the Council.

1.4.4 The rate of collection of Council Tax and Non-Domestic Rates is at an acceptable level and an adequate provision exists to cover bad debt.

1.4.5 Considered together, these factors enable the Council to begin 2012/13 on a financially sound basis with the ability to consider options for the most appropriate use of the increased level of balances.

## 1.5 Revenue

1.5.1 Attached at Appendix A is a summary of the provisional revenue outturn for 2011/12 compared to the revised estimate approved by Cabinet and Council in February 2012. 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, which is dealt with later in this report. Appendix A shows a net unadjusted underspend of £4.653m.

1.5.2 Appendix A summarises the variance by portfolio and the major reasons for the variances are detailed in the following paragraphs.

1.5.3 The Leader's portfolio shows an under spend of £0.877m. This is the result of the issues detailed below:

- a) Contingency budgets exist for extra cost pressures and new legislation, totalling £0.16m and concessionary fares of £0.2m. The concessionary fares contingency is a budget strategy saving in 2012/13. These resources were not required in 2011/12.
- b) The Leader's portfolio holds the budget strategy savings that have been achieved in advance of requirement. These are budget strategy savings for 2012/13 and total £0.35m.
- c) A carry forward relating to Housing & Planning Delivery Grant of £0.137m is detailed elsewhere in this report.

1.5.4 The Community & Leisure Services portfolio is reporting a minor over spend of £0.061m. The major individual variances are as follows:-

- a) Homelessness temporary accommodation has overspent by £0.17m due to a significant increase in demand. A small growth item has been included in the budget for 2012/13. This service

will be carefully monitored in 2012/13 and may require further action in year.

- b) A number of minor carry forward requests totalling £0.09m are detailed elsewhere in this report.

1.5.5 The Corporate Services portfolio is reporting a significant underspend of £2.684m. This includes the under spend of £2.304m relating to future revenue funding of the Capital Programme. This matter is dealt with in more detail in the Capital section of the report but is the result of the revenue resources set aside over recent years to finance future years of the Capital Programme. This resource must be carried forward for this purpose to ensure the Capital Programme remains fully funded. The balance of the under spend on this portfolio is £0.38m, the major variances include the following issues:

- a) Rent allowances are reporting an under spend of £0.051m which is mainly due to variations in the level of claimants transactions along with the resulting grant from the DWP being more than predicted.
- b) Interest and investment income is reporting an excess of income over budget of £0.063m due to the Council achieving a better than estimated average rate of interest.
- c) Park Wood Equilibrium Unit rents were under recovered, as previously reported to Cabinet, by £0.1m due to under occupancy.
- d) Council Tax administration and Council Tax benefit costs were both under spent. The under spend on both activities totalled £0.154m. Benefit activity in this service area has varied in a similar way to Rent Allowances detailed above. The collection service has benefited from effective use of court procedures and the resulting higher levels of legal costs awarded.
- e) This portfolio holds the budgets for the majority of central service support sections and in total an under spend in excess of £0.201m is reported. As these service areas are subject to future budget strategy savings a number of vacancies have been held long term even though, at this stage, revisions to the structure are not approved. Examples include the IT Section, Finance Section, Overview & Scrutiny and Corporate Support Section. All of these sections have not used permanent recruitment to fill vacancies as this would not be in the best interests of the Council.

1.5.6 The Economic Development and Transport portfolio has an under spend of £0.598m which includes two major carry forward requests dealt with elsewhere in this report. One for Development

Management Enforcement totalling £0.181m and one for £0.225m from Business Development relating to the balance of the Growth Point Revenue Grant. These service areas have under spent by sums greater than the carry forward requests. In addition the portfolio contains the following major variances:

- a) Park and Ride is reporting an over spend of £0.081m. The situation regarding this service has previously been reported to Cabinet. The service manager along with the Cabinet Member, are actively pursuing a long term solution at this time.
- b) Development Management, including appeals but not enforcement, is reporting a total under spend of £0.125m due to vacancy levels and reduced use of professional services budgets. The services underwent a recent Peer Review, the results of this review are being considered for action and it is expected that the Cabinet Member will consider this resource, activity levels and the effect on service delivery early in this financial year.
- c) The Land Charges trading account has made a surplus of £0.095m. This variance is partly due to a government grant that was received to support changes to the service. As this is a trading account and the surplus may be required in future years, this sum will be ring-fenced within balances as is the usual practice of the Council.

1.5.7 The Environment portfolio is reporting a net underspend of £0.705m. Of this sum £0.381m is detailed elsewhere in this report as carry forward requests or ongoing grants. In addition, the outturn figures for the on-street parking agency agreement with KCC have returned a surplus in excess of the agency agreement. The agreement allows for a maximum surplus that is index linked and currently stands at £0.074m. The surplus achieved is £0.192m. The Parking Services Manager has requested the carry forward of £0.117m of this surplus and this is detailed elsewhere in this report. The use of the excess surplus is subject to confirmation from KCC and this permission is also being sought by officers at this time. A number of lesser positive variances, combined, produce the remaining under spend.

1.5.8 The Council makes best use of funding available from other agencies through grants and contributions. Often these grants are given for a specific activity. In some cases this activity is carried out over a number of years or may be received in one financial year and used in a future financial year. In such cases the budget to be utilised must be carried forward to maintain the link between the grant and the expenditure for which it is used. Grants of this type, within the 2011/12 budget, that have not been utilised in year total £0.551m and are detailed below. In all cases these grants are for committed

schemes that had been identified and agreed as part of the 2011/12 budget.

<b>Service</b>	<b>Balance of Grant £</b>	<b>Description</b>
Waste & Recycling	97,850	Balance of WRAP grant for weekly food waste introduction
Planning	136,664	Balance of Housing & Planning Delivery Grant
Economic Development	224,640	Balance of Growth Point Revenue Grant
Olympics	10,000	Grant from KCC
Park Wood	19,310	External funding for Park Wood environmental improvements
Sports	4,000	KCC disability sports funding
Air Quality	48,000	DEFRA grant
Food Hygiene	6,560	Rating scheme grant from Food Standards Agency
Environmental Enforcement	2,950	KFRS and Clean Kent grant for school litter initiative
Museum	2,000	Funding for Iron Age collection
	<b>550,974</b>	

1.5.9 Attached as **APPENDIX B** is a schedule of provisional carry forward requests, into 2012/13, totalling £0.678m. In previous years, requests relating to contractual commitments have been considered before other requests. On this occasion no requests have been received that relate to contractual commitments and all requests detailed are for schemes to which the Council is not yet committed. It is recommended that Cabinet consider the requests in Appendix B and give approval as required

1.5.10 If Cabinet agree all of the carry forwards proposed in this report the net under spend available for other actions or transfer to general balances is £1.113m. It is proposed at this time to allow this net under spend to transfer to Balances and the result is set out in paragraph 1.7.7.

1.5.11 It is appropriate, as part of the development of the medium term financial strategy for 2013/14 onwards, that Cabinet consider options for the use of this resource in furthering the required outcomes of the strategic plan. It is recommended that Cabinet receive a report, from Corporate Leadership Team, to its July 2012 meeting on options to utilise this under spend.

## 1.6 Capital

- 1.6.1 Attached at **APPENDIX C** is a summary of capital spend against the revised estimate. Further slippage of £0.163m has been identified since the programme was agreed by Council in February 2012. This figure is the net effect of slippage to and from 2012/13 as funding for Mote Park Regeneration in 2012/13 will need to be used in 2011/12.
- 1.6.2 The over spend on the Software Upgrade programme is funded from specific grant. The Revenues and Benefits Partnership software is funded from the set up costs budget agreed by Cabinet when the partnership was initially approved. The schemes asterisked in Appendix C are funded from s106 developer contributions.
- 1.6.3 Cabinet are reminded of the arrangements surrounding the schemes for the Hazlitt Theatre and the Museum East Wing. In both cases an arrangement exists to repay resources into balances over a set period following completion of the work.
- 1.6.4 The expenditure outlined in Appendix C can be funded mainly from capital resources. Proposed funding is summarised in the following table:

<b>Resources</b>	<b>£000</b>
Capital Receipts	2,500
Capital Grants (incl. s106)	2,592
Revenue	2,489
<b>TOTAL</b>	<b>7,581</b>

- 1.6.5 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 1.6.5 which recommends the carry forward of revenue resources set aside to finance capital expenditure. It is recommended that Cabinet consider and approve this provisional financing of the capital programme.
- 1.6.6 In line with this policy, of using capital resources first, some of the resources identified from revenue budgets to finance capital expenditure will not be required until 2012/13 or later years. This creates a revenue variance of £2.304m which is essential to the financing of the future capital programme. This variance is reported under the Cabinet Member for Corporate Services' Portfolio, see paragraph 1.5.5. It is recommended that this money is carried forward for this use in 2012/13, in order for the capital programme to

remain affordable.

## 1.7 Balance Sheet

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

### 1.7.2 Asset Sales

The revised estimate assumed asset sales for 2011/12 of £0.713m. The provisional outturn figures show cash backed Capital Receipts, net of costs of £1.115m. This is £0.402m greater than estimated, due to additional receipts from Golding Homes Right-to-Buy sales and the disposal of land at Church Street. Not all available receipts have been utilised in the financing of the capital programme, these receipts will be required to finance future years' expenditure.

### 1.7.3 Collection Fund

The outturn collection rates for Council Tax and Non-Domestic Rates were close to target at the end of the financial year. This is a considerable achievement given the economic circumstances and the fact that the service was in its first year as a shared service in 2011/12. At this time it is predicted that there will be a small surplus on the collection fund at the year end. This surplus will be formally shared between preceptors during 2013/14. For this Council it is expected to be less than £0.02m. The collection rates, compared to target, are as follows:

<b>Collection Rates</b>	<b>Target %</b>	<b>Actual %</b>
NNDR	97.0	97.4
Council Tax	98.7	98.3

### 1.7.4 Investments

The Treasury Management Strategy 2012/13 agreed by Council in February 2012 anticipated year end investments of approximately £17m. The actual investment at 31 March 2012 totalled £13.6m. The provisional assessment of the reduction shows the following over estimates of likely resources:-

<b>Reason</b>	<b>£000</b>
Collection Fund	1,000
Council Tax Benefit Grant	1,200
Other Income	1,200
	<b>3,400</b>



The overall changes to the level of investments will have no impact on the Strategy itself and only a short term impact on the revenue account during the course of 2012/13 of no more than £0.002m. Daily monitoring of cash-flow has confirmed that the Prudential Indicators that Council set for 2011/12 have been complied with.

#### 1.7.5 Fixed Assets

The capital investment achieved in 2011/12 resulted in investment in the Council's property portfolio of £3.435m out of a total spend of £7.581m. 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 revenue expenditure funded from capital under statute.

#### 1.7.6 Useable capital receipts

As a result of the level of capital investment and the level of capital receipts received in 2011/12, the level of useable capital receipts at 31<sup>st</sup> March 2012 is £0.057m. It should be noted that the disposals of Hayle Place and 13 Tonbridge Road in April 2012 have subsequently added a further £2.8m to useable capital receipts.

#### 1.7.7 Balances

Balances are set out in Appendix D. The overall level of balances at 31<sup>st</sup> March 2012 will be £10.146m, compared to £9.933m at 31<sup>st</sup> March 2011. However, after allowing for the commitment to carry forwards and the planned use in 2012/13, the provisional level of uncommitted balances is £4.396m. The estimate for 2012/13 as approved at Council in February 2012 reported an expected balance of £3.241m.

There is therefore an increase in balances of £1.155m over the revised estimate. This means balances will be above the minimum level of working balances by £2.096m along with other resources, provisionally allocated but not committed, of £1.312m

#### 1.8 Alternative Action and why not Recommended

- 1.8.1 The reporting of revenue outturn could wait until Cabinet in June 2012 when final figures are available in the Statement of Accounts prior to external audit. 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.

1.9 Impact on Corporate Objectives

1.9.1 The financial resources spent in 2011/12 and reported here reflect a focus on corporate priorities. Any underspend will be carried forward in accordance with those corporate priorities and previous commitments.

1.10 Risk Management

1.10.1 At this stage the financial analysis is provisional and contains some estimated values. Monthly financial monitoring by officers and quarterly by Cabinet 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.

1.11 Other Implications

1.11.1

- 1. Financial
- 2. Staffing
- 3. Legal
- 4. Equality Impact Needs Assessment
- 5. Environmental/Sustainable Development
- 6. Community Safety
- 7. Human Rights Act
- 8. Procurement
- 9. Asset Management

X

1.11.2 The financial implications are incorporated in the body of the report.

1.12 Relevant Documents

1.12.1 Appendices

Appendix A – Summary Provisional Revenue Outturn

Appendix B – Schedule of Carry Forward Requests  
Appendix C – Summary Provisional Capital Outturn  
Appendix D – Provisional General Fund Balances

1.12.2 Background Documents

Budget Monitoring report 2011/12  
Cabinet quarterly monitoring report 2011/12  
Agresso General Ledger system reports

**IS THIS A KEY DECISION REPORT?**

Yes

No

If yes, when did it first appear in the Forward Plan?

May 2012

This is a Key Decision because: Budget issue

Wards/Parishes affected: All