

MAIDSTONE BOROUGH COUNCIL

CABINET

15 MAY 2013

REPORT OF HEAD OF FINANCE & CUSTOMER SERVICES

Report prepared by Paul Riley

1. PROVISIONAL REVENUE AND CAPITAL OUTTURN 2012 13

1.1 Issue for Decision

1.1.1 This report summarises the provisional revenue and capital outturn figures for 2012/13 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 2012/13;
- b) Agree the provisional funding of capital expenditure in 2012/13 as set out in paragraph 1.6.3 and the resulting carry forward of £4.41m of revenue resources set aside to finance the capital programme in future years as detailed in paragraph 1.6.5;
- c) Note the carry forward from 2012/13 into 2013/14 of grant funding as detailed Appendix B;
- d) Consider and approve the revenue carry forward requests from 2012/13 into 2013/14 as detailed in Appendix C;
- e) Note the impact on the balance sheet of the provisional outturn 2012/13;

1.3 Reasons for Recommendation

- 1.3.1 The purpose of this report is to facilitate good financial management. It 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 future strategy.
- 1.3.2 The Government is currently completing a single year spending review to support funding decisions for 2014/15. This is expected to be followed by a comprehensive spending review following the general election in 2015. The Chancellor of the Exchequer has already made clear that the public sector can expect further funding reductions equivalent to those experienced between 2010 and the current year.
- 1.3.3 Early sight of the provisional outturn figures for 2012/13 will provide the Cabinet with early information and greater clarity about the financial position and the level of available resources as the financial year 2013/14 commences. The information will aid Cabinet's consideration of the risks in advance of the spending review announcement in July 2013.
- 1.3.4 If the provisional outturn detailed in this report is further amended then final expenditure figures for revenue and capital will be reported to the June 2013 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 2012/13 with a net positive variance on the revenue account of £0.275m. A small number of service areas have significant adverse variances and these will require additional monitoring in 2013/14. In summary the £0.275m surplus is a result of the following proposals which are set out in detail in this report:

	£000
Variance on net service spending (as per Appendix A)	5,794
Less:	
Revenue set aside to finance capital expenditure	-4,410
Grants required to be carried forward – Appendix B	-462
Carry forward request - Appendix C	-647
Variance against budget requirement	275

- 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 2013/14 general balances are expected to be £3.346m which is £1.046m above the working minimum set by Cabinet in February 2012. In addition resources of £0.558m 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 2013/14 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 2014/15 to 2018/19.

1.5 Revenue

- 1.5.1 Attached at **Appendix A** is a summary of the provisional revenue outturn for 2012/13 compared to the revised estimate approved by Cabinet and Council in February 2013. 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 £5.794m.
- 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 a positive variance of £0.206m. This has resulted from two key issues:
 - a) Contingency budgets that exist for in-year cost pressures are held in this portfolio. They allow the Council some resilience from unexpected pressure from service demand year on year. The service demand can occur in any portfolio and the major pressures are detailed in the following paragraphs. Members should note that this under spend, at £0.227m, is large enough to manage only one major budget pressure like the over spend on the homelessness budget in 2012/13. Part of this under spend relates to new burden grant received from the government during the year but relating to costs that the Council will incur in 2013/14 and is reported as one of the grant carry forwards discussed in paragraph 1.5.9.

b) The Press and Public Relations budget included a newly introduced target for advertising income. This was introduced following a budget strategy saving proposal for 2012/13. As this year includes the implementation work, funding was provided for planning fees and installation work at each site. During the year it became clear that, while the proposal has suitable potential, substantial work to develop a portfolio of advertisers and promote the sites was required. As a result of this extra work, the budget for this service has suffered an over spend of £0.042m in this year.

1.5.4 The Community and Leisure Services Portfolio is reporting a positive variance of £0.036m. Contained within the value of this minor under spend are a number of major variances which are detailed below:

a) The CCTV budget shows an adverse variance of £0.042m. This is a consequence of two issues: a incorrect debt written off from an old agreement with Kent County Council which has been renegotiated meaning that the income will become due again in future years; and the cost of equipment, line rental and data charges which will not be due in future years due to changes in service provision. Members should note the CCTV contract cost were within budget and did not contribute to this variance.

b) The Homelessness budget is over spent by £0.191m due to demand for that service resulting in extensive use of bed and breakfast providers during the year. Service Managers have been developing proposals to reduce demand and the cost of provision and the first of these will shortly be brought forward as a commercial proposal.

c) A number of grants requiring carry forward exist in this portfolio: the balance of the homelessness prevention grant of £0.14m which has been contractually committed to specific actions over a period of years; £0.07m for five minor grants for community development schemes; and £0.01m in support funding towards a community garden at Heather House.

1.5.5 The Corporate Services portfolio is reporting a positive variance of £5.16m. This is mainly as a consequence of financing of the capital programme as set out in section 1.6. Due to the level of capital receipts, grants and other contributions available at the end of 2012/13, there was no need to utilise the revenue support of £4.41m available in the budget. This support is mainly derived from the new homes bonus that the Council has agreed should be used to support the capital programme. It is recommended that this resource be carried forward to ensure the future capital programme is fully funded. Other variances are detailed below:

- a) Council Tax Benefit costs have reduced due to effective recovery action. In addition take up of benefit is approximately 1.5% lower than expected for the year and a positive variance of £0.04m is reported.
- b) Interest and investment income is showing a positive variance of £0.131m. This is due to higher levels of invested funds creating higher levels of interest received along with the correction of a misstated value for interest receivable in prior years' accounts.
- c) The Park Wood Industrial Estate budget is reporting a positive variance of £0.033m due to additional income as a result of two rent variations and two new tenants.
- d) The Sundry Corporate Properties budget, which holds the cost and income from the retail unit at the base of King Street Car Park is showing an adverse variance of £0.116m mainly due to the ongoing business rates liability and the loss of income from the vacant unit.
- e) In addition to the carry forward of £4.41m in revenue support to the capital programme, carry forward requests from this portfolio include £0.197m provided for redundancy costs, funding for employee engagement and ongoing work on customer service improvement (including the website), property maintenance budgets that are already committed and funding for Member's IT facilities all of which total a further £0.13m

1.5.6 The Economic and Commercial Development portfolio is reporting a minor adverse variance of £0.08m as a consequence of three issues:

- a) The Museum is now fully operational and operating to a business plan as part of the obligation placed upon the service following the additional costs of the extension works. A number of issues have combined to create an adverse variance of £0.105m. The table below reports on the major issues within the service indicating their impact on the business plan from their one-off or permanent nature:

Issue	Impact	Variance £,000
Electricity 2011/12 paid in 2012/13	One-off	18
Business rates valuation	Under appeal - may remain	54
Room hire income	Ongoing	24
Temporary exhibitions	Possibly ongoing subject to demand	17
<i>Less:</i>		
<i>Collections – Commercial Hire</i>	<i>Possibly ongoing subject to demand</i>	<i>-20</i>
		93

- b) The Market is also reporting an adverse variance of £0.051m. this is a consequence of demand for pitches at the Tuesday Market and reduced income from the Lockmeadow complex itself.
 - c) A carry forward of Growth Point grant totalling £0.15m is required. A refreshed Regeneration and Economic Development Plan is being drafted and priorities for the use of this grant will form part of the Council's consideration of this refreshed plan.
- 1.5.7 The Environment portfolio is reporting a positive variance of £0.31m. This is derived from low level positive variances across most services. The largest positive variance has been reported at the depot and carry forward requests of £0.036m are detailed in this report. One grant carry forward is reported for the DEFRA Air Quality Grant of £0.032m.
- 1.5.8 The Planning, Transport and Development portfolio is reporting a positive variance of £0.299m.
- a) The Development Management service is reporting a total under spend of £0.325m. In the middle of 2012/13 financial year the Government approved a national increase in planning fees and the service has benefitted from additional income. Due to the positive variance during the year, approval was sought and granted to the recruitment of two additional Planning Officers. One Officer is new in post and the other will be temporarily appointed subject to re-advertising for a permanent appointment. In addition resources for potential enforcement cases are being maintained by the service. Of this positive variance £0.245m has been requested as carry forward to cover enforcement and other costs of the service.
 - b) The conservation service has incurred a one-off cost in relation to legal advice and enforcement, along with a minor adverse variance for the normal service activities this has led to a total adverse variance of £0.071m.
 - c) An adverse variance exists in relation to the parking in general and this totals £0.103m. The closure of Knightrider Street for a significant part of the year has had an adverse effect on income generated at the car parks in that vicinity and there has been a downturn in parking penalty notice income.
 - d) The On Street Parking agreement with Kent County Council is reporting a positive variance of £0.114m. This can be partly used to offset **any adverse** on related transport activities subject to confirmation by Kent County Council.

- 1.5.9 The Council makes best use of funding available from other agencies through grants and contributions. Often these grants are given for a specific activity and 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 within the 2012/13 budget that have not been utilised in year total £0.462m and are detailed in **Appendix B**. In all cases these grants are for committed schemes that had been identified and agreed as part of previous budget strategies.
- 1.5.10 Attached as **APPENDIX C** is a schedule of provisional carry forward requests, into 2013/14, totalling £0.647m. In previous years, requests relating to contractual commitments have been considered before other requests and for convenience these have been listed and subtotalled separately from general requests where no current contractual commitment exists. It is recommended that Cabinet review the requests in Appendix B and give approval as considered appropriate.
- 1.5.11 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 £0.275m. 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.

1.6 Capital

- 1.6.1 Attached at **APPENDIX D** is a summary of capital spend against the revised estimate. Further slippage of £0.373m has been identified since the programme was agreed by Council in February 2013. This figure is the net effect of slippage to and from 2013/14 as advanced funding for King Street MSCP and the High Street Regeneration work is required in 2012/13.
- 1.6.2 Schemes identified in Appendix D 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.
- 1.6.3 The expenditure outlined in Appendix D can be funded entirely from available capital resources. Proposed funding is summarised in the following table:

Resources	£000
Capital Receipts	2,908
Capital Grants (incl. s106)	2,100
TOTAL	5,008

- 1.6.4 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 below, which recommends the carry forward of revenue resources set aside to finance capital expenditure. It is recommended that Cabinet consider and approve the provisional financing of the capital programme as set out in the table at 1.6.3.
- 1.6.5 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 2013/14 or later years. This creates a revenue variance of £4.41m representing a resource that 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 2013/14 or later years, in order for the capital programme to remain affordable.
- 1.6.6 Members should note that the final costs for the Museum east wing extension scheme are now accounted for. The financing of the capital programme set out below includes the final costs of this scheme and includes the use of £0.08m received by the Council as a result of the actions taken to reclaim costs against the inaccurate survey work. The final report of the Chief Executive into project management of the scheme will be brought to the June 2013 meeting of Cabinet.
- 1.6.7 Although the additional costs incurred were in line with the predicted final account for the contract there is no need to utilise the provision set aside in balances against any additional cost. This is because the additional costs incurred in both 2011/12 and 2012/13 were financed by the additional capital receipts received in those years. If Members wish to consider reimbursement of the capital programme for the capital receipts so utilised it would be appropriate to consider any options along with the review and prioritisation of the future capital programme which will be considered at the Cabinet meeting in July 2013.

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 2012/13 of £3.006m. The provisional outturn figures show cash backed Capital Receipts, net of costs of £3.65m. This is £0.644m greater than estimated, due

to additional receipts from Golding Homes Right-to-Buy sales. 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. 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 2014/15. For this Council it is expected to be less than £0.02m. The collection rates, compared to target, are as follows:

Collection Rates	Target %	Actual %
NDR	97.0	97.7
Council Tax	98.3	98.3

1.7.4 Investments

The Treasury Management Strategy 2013/14 agreed by Council in February 2013 anticipated year end investments of approximately £11m. The actual investment at 31 March 2013 totalled £13.5m. The provisional assessment of the increase shows the following increases in the estimate of likely resources:-

Reason	£000
Capital	1,000
Capital Receipts	400
Revenue Underspend	1,100
	2,500

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 2013/14. Daily monitoring of cash-flow has confirmed that the Prudential Indicators that Council set for 2012/13 have been complied with.

1.7.5 Fixed Assets

The capital investment achieved in 2012/13 resulted in investment in the Council's property portfolio of £1.404m out of a total spend of £5.008m. 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 2012/13, the level of useable capital receipts at 31st March 2013 is £0.742m.

1.7.7 Balances

Balances are set out in Appendix E. The overall level of balances at 31st March 2013 is provisionally expected to be £12.592m, compared to £10.146m at 31st March 2012. However, after allowing for the commitment to carry forwards and the planned use in 2013/14, the provisional level of uncommitted balances is £3.346m. The estimate for 2013/14 as approved at Council in February 2012 reported an expected balance of £3.036m.

There is therefore an increase in balances of £0.31m over the revised estimate. This means balances will be above the minimum level of working balances by £1.046m along with other resources, provisionally allocated but not committed, of £1.356m

1.8 Alternative Action and why not Recommended

1.8.1 The reporting of revenue outturn could wait until the Cabinet meeting in June 2013 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 2012/13 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 Grants to be Carried Forward
- Appendix C – Schedule of Carry Forward Requests
- Appendix D – Summary Provisional Capital Outturn
- Appendix E – Provisional General Fund Balances

IS THIS A KEY DECISION REPORT?

THIS BOX MUST BE COMPLETED

Yes

No

If yes, this is a Key Decision because: Budget Strategy issue over £250,000

Wards/Parishes affected: All