

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

17 June 2009

Report of the Chief Executive, Director of Finance, Leader of the Council and Cabinet Member for Finance

Part 1- Public

Executive Non Key Decisions

1 REVENUE AND CAPITAL OUTTURN 2008/09

In accordance with the Council's Financial Procedure Rules we present a report and accompanying information detailing actual Revenue and Capital Outturn for the year ended 31 March 2009. We also present for consideration our recommendations, formulated in liaison with Management Team, regarding proposed adjustments to the Accounts in the light of the Outturn position.

1.1 Introduction

- 1.1.1 A detailed statement of the revenue and capital outturn position for the year 2008/09 is provided in the attached booklet which has been compiled in liaison with Chief Officers, including, where appropriate, explanatory notes of variations between revised estimates and outturn. Variations between the original and revised estimates for 2008/09 were highlighted in the notes to the Annual Estimate papers presented to Members during the 2009/10 budget cycle.
- 1.1.2 The Borough Council has a policy of revaluing its property assets on a rolling programme, such that the intervals between valuations do not exceed five years. In 2008/09 however, all property asset classes have been subject to review due to the current economic conditions. As a result Members will note throughout the outturn booklet an impairment charge to reflect the fall in property values (notably council offices) arising from the current economic conditions. The impairment charge is reversed on the summary page (S1) and, therefore, does not impact on taxation requirements.
- 1.1.3 Members will also note on the Interests and Transfers page (CS 28) within Corporate Services the financial instrument impairment. The impairment is in respect of the deposit of £1m invested in the Icelandic Bank Landsbanki following advice from the Chartered Institute of Public Finance and Accountancy. Based on the assumption that local authority deposits are attributed 'priority' status it assumes a recoverable amount of 95% and that the repayment will be split

roughly evenly between March 2010, December 2010, December 2011 and December 2012. The impairment is again reversed on the summary page (S1). However, unlike with the impairment charge to reflect the fall in property values, the extent to which this will impact on the Council's reserve balance in due course depends on the eventual level of repayment. The Local Government Association is co-ordinating the efforts of all UK authorities with Icelandic investments. At the current time it is not possible to say with certainty that we will recover all of our investment or when reimbursement will be made.

- 1.1.4 In accordance with the Council's Constitution the Statement of Accounts, which shows the outturn in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom, will be presented to the Audit Committee for consideration and perusal and to the General Purposes Committee for approval. The Director of Finance will, therefore, be presenting the Statement of Accounts to the Audit Committee on 22 June and to the General Purposes Committee on 29 June.

1.2 Overall Revenue Position

- 1.2.1 Members are advised that overall the revenue outturn is within budget with a requirement to drawdown £393,000 from the General Revenue Reserve compared with the Revised Estimate figure of £636,150 (£243,150 less than the revised estimate for 2008/09).
- 1.2.2 We have also as part of the closedown process undertaken a review of the specific earmarked reserves held by the Council. As a result of this review and in liaison with Management Team it is recommended that no adjustments are made at this time. The favourable outturn position compared to the revised estimate providing a welcome 'buffer' to underpin and support the Medium Term Financial Strategy in the current economic climate.
- 1.2.3 As already mentioned, measured against the Revised Estimate the overall revenue position shows a net reduction of £243,150. The principal reasons for the net reduction prior to making a contribution from the General Revenue Reserve are given in the table below.

Description	Revised Estimate 2008/09 £	Outturn 2008/09 £	Variation £
Major Income Streams (including LSBU)	(9,184,150)	(8,972,693)	211,457
Termination Payments	292,600	329,197	36,597
Water & Sewerage	141,650	161,220	19,570
Refuse, Recycling, Street Cleansing & Public Conveniences Contract Payments	3,078,650	3,068,232	(10,418)
Summons Costs Recovered	(220,000)	(231,615)	(11,615)
Telephones	117,800	103,781	(14,019)
Software Support and Maintenance	368,950	353,566	(15,384)
Recycling Vehicle	162,150	145,796	(16,354)
Investment Income	(1,823,150)	(1,842,937)	(19,787)
Commercial Property Rent	(237,550)	(257,850)	(20,300)
Here & Now	62,500	41,382	(21,118)
Salaries (including LSBU)	14,584,450	14,545,601	(38,849)
Concessionary Fares Scheme	560,450	332,180	(228,270)
Other Net Changes	6,710,900	6,596,228	(114,672)
Total	14,615,250	14,372,088	(243,162)

1.2.4 [Annex 1] provides details of Service specific issues in respect of the revenue outturn for 2008/09.

1.3 Leisure Services Business Unit

1.3.1 Members will note from the overall revenue position that the Leisure Services Business Unit (LSBU) shows a deficit of £157,076 prior to making a contribution to or from the LSBU earmarked reserve. Contributions to or from the LSBU earmarked reserve for revenue purposes for the year amounted to a net contribution from of £6,532 producing a net deficit of £150,544. An analysis of the position in respect of the four sites is given in the table below.

Leisure Services Business Unit	Deficit / (Surplus) £	Contribution to / (from) Earmarked Reserves £	Net Deficit / (Surplus) £
Angel Centre	90,162		90,162
Larkfield Leisure Centre	119,519	(1,364)	118,155
Tonbridge Swimming Pool	(30,213)		(30,213)
Poult Wood Golf Centre	(22,392)	(5,168)	(27,560)
Total	157,076	(6,532)	150,544

1.3.2 An overview of the financial performance of the LSBU is given in [Annex 2].

1.4 Capital Plan

1.4.1 A detailed draft outturn position was presented to the Finance and Property Advisory Board on 20 May 2009 which showed actual net spend of £2,322,000 on a cash basis against a budget provision of £3,687,000. **[Annex 3]** provides details of Service specific issues in respect of the capital outturn for 2008/09. A number of general issues are highlighted below.

- Capital renewals budgets totalling £1,194,000 with actual capital renewals expenditure totalling £805,000.

Capital renewals provisions reflect predictions as to when assets will need to be replaced. These predictions reflect, where possible, the experience gained with similar assets, and aim to result in sufficient budget to maintain the asset base without over-inflating the Capital Plan. These predictions cannot always be accurate; and, if anything, there is a tendency towards caution. Although this provides headroom to allow the replacement of assets that did not last as long as expected, the general trend is for renewals budgets to be underspent.

A detailed review of Leisure capital renewals provisions, which comprise the majority of all renewals provisions, will be undertaken in advance of the 2009/10 Capital Plan review. The expected life of individual assets will be reconsidered and budget provision re-profiled if appropriate.

- Some projects are dependent on progress by other parties and delays outside the Council's control will lead to slippage. Examples of this include the Community Partnership Initiatives budget of £186,000 and actual expenditure of £102,000.
- A number of capital plan provisions provide opportunity for the Council to grant aid parish councils, organisations, and individuals. Release of grant is dependent on claims supported by invoices to confirm that work has been undertaken. The Council has no control over the timing of payments and whilst the likely profile of payments is taken into account when establishing budget provision, this is inevitably imprecise. Examples of this include Capital Grants to Organisations budget of £177,000 and actual expenditure of £47,000.
- Schemes have been physically completed but final payments have not yet been made pending settlement of final accounts. Examples of this include Larkfield Leisure Centre Retiling of Fitness Pool, actual expenditure nil against a budget of £7,000.
- Further steps will be taken during the 2009/10 Capital Plan review process to ensure that the budget profiles for schemes where we do have direct control over delivery is as accurate as possible.

1.5 Treasury Management and Investment Strategy Review

- 1.5.1 The Council adopted the Chartered Institute of Public Finance and Accountancy Code of Practice on Treasury Management in September 2003. A requirement of the Code is to present an annual strategy report for the year ahead and an annual review report of the previous year. To comply with the Code an annual review report for the year 2008/09 is given in **[Annex 4]**. As this is a technical document, if Members have any questions, could we please ask that you contact John Pickup on extension 6112 in advance of the meeting.
- 1.5.2 Due to the “credit crunch”, the ongoing volatility in the financial markets, the restricted list of counter parties and the need for even greater security of capital, it is our intention to scale back the size of the portfolio managed by the in-house team. This will be achieved by transferring funds on maturity to our external fund manager and will reduce the level of ‘core’ funds being managed in-house from £10m to £5m by 31 March 2010.

1.6 Balances and Reserves

- 1.6.1 **[Annex 5]** Table 1 shows the movement on the Special Projects Reserve.
- 1.6.2 **[Annex 5]** Table 2 details the movement on Other Earmarked Reserves. Members will note that there are two contributions to reserves previously agreed by Members / Director of Finance.
- 1.6.3 **[Annex 5]** Table 3 gives details of some minor revenue adjustments agreed by the Director of Finance during the closedown process.
- 1.6.4 Members will also be aware of future potential liabilities, for example costs associated with the proposals for Hadlow Tower, which may require a call on the Council’s reserves.
- 1.6.5 The Council is required to have regard to the level of its balances and reserves before making decisions concerning its finances. The Council’s General Fund working balance is set at £1,250,000 and this sum is considered appropriate for an authority of our size and scale. The position in respect of the Council’s General Revenue Reserve is given below.

General Revenue Reserve		
	£	£
Balance at 1 April 2008		4,362,312
Less:		
Contribution to / (from) Reserve		(392,988)
Balance at 31 March 2009		3,969,324

1.6.6 The Medium Term Financial Strategy anticipated a General Revenue Reserve balance at 31 March 2009 of £3,726,000.

1.7 Audit Committee and General Purposes Committee

1.7.1 As mentioned earlier, a copy of the Statement of Accounts for 2008/09 will be presented to the Audit Committee for consideration and perusal on 22 June and to the General Purposes Committee for approval on 29 June. The Accounts will reflect the revenue and capital outturn position as detailed in this report and accompanying information, together with the subsequent recommendations.

1.8 Legal Implications

1.8.1 There are a number of legislative requirements to consider as we move through the closedown process, and prepare and publish the Statement of Accounts.

1.9 Financial and Value for Money Considerations

1.9.1 As set out above.

1.10 Risk Assessment

1.10.1 The compilation and presentation of the revenue and capital outturn forms part of the closedown process, leading to the preparation and publication of the Statement of Accounts which is a statutory document. Therefore, failure to prepare and publish the Accounts within the statutory timescale could adversely affect our Use of Resources assessment.

1.11 Recommendations

1.11.1 Cabinet is **RECOMMENDED** to:

- 1) Receive and approve the Revenue and Capital Outturn for the year 2008/09.
- 2) Endorse the recommendation following a review of specific earmarked reserves that no adjustments are made at this time.
- 3) Receive and approve the Treasury Management and Investment Strategy Review 2008/09 **[Annex 4]** and note and endorse the return of internally managed core funds on maturity to the external fund manager.

Background papers:

contact: Sharon Shelton
Neil Lawley

Valuations and reports provided by Investec Asset Management. Information provided by the Council's Treasury Adviser, Sector Treasury Services Ltd. Impairment/Valuation report provided by BPS Chartered Surveyors.

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