

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

22 June 2011

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 2010/11

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 2011. We also present for consideration our recommendations, formulated in conjunction 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 2010/11 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 2010/11 were highlighted in the notes to the Annual Estimate papers presented to Members during the 2011/12 budget cycle.
- 1.1.2 Members will note throughout the outturn booklet reference to the reversal of the bulk of the impairment accounted for in 2008/09 to reflect the fall in property values (notably council offices) following the revaluation of council offices in 2010/11. This is then, in turn, reversed on the summary page (S1) and, therefore, does not impact on taxation requirements.
- 1.1.3 Members will also note on the summary page (S1) the investment impairment. The impairment is in respect of the £1m deposited in the Icelandic Bank, Landsbanki which in October 2008 went into administration. Members may be aware that in April 2011 the Icelandic District Court ruled that such deposits have priority status which should aid recovery of a high proportion of the £1m deposited with Landsbanki. It should be noted, however, that not surprisingly, the other parties have appealed against the ruling of the Icelandic District Court and as a consequence the judgement is to be referred to the Icelandic Supreme Court.

- 1.1.4 Part of the impairment is negated by notional interest on the £1m included in the interest on investments figure on the Interest and Transfers page (CS 28) within Corporate Services. The extent to which the investment impairment will impact on the Council's reserve balance in due course depends on the eventual level of repayment.
- 1.1.5 The Local Government Association, our legal advisors and our representatives on the Creditors Committee are working hard to protect our interests and remain optimistic that the Icelandic Supreme Court will concur with the ruling of the Icelandic District Court. The way in which we have coordinated the legal action in this matter with the LGA and other local authorities has minimised legal costs and provided better value for money for taxpayers.
- 1.1.6 In accordance with the Council's constitutional arrangements 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 2010 will be presented to the Audit Committee for consideration and perusal and to the General Purposes Committee for approval. The Director of Finance will be presenting the Statement of Accounts to the Audit Committee on 20 June and to the General Purposes Committee on 27 June.

1.2 Overall Revenue Position

- 1.2.1 Members are advised that overall the revenue outturn is within budget with a contribution to the General Revenue Reserve of £481,600 compared with the Revised Estimate figure of £281,600 (£200,000 more than the revised estimate for 2010/11).
- 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:
- The residual balance held on the Community Planning and Modernisation reserve is transferred to the Democratic Representation reserve.
 - The Road Closures reserve is reduced by £10,000 and that this is transferred to the Democratic Representation reserve.
 - Add a further sum of £12,611 to the Democratic Representation reserve.
- 1.2.3 The above proposals have been reflected within the outturn position given above. The purpose is to set aside monies in the Democratic Representation reserve to meet the costs of the Freedom March in Tonbridge by the Princess of Wales' Royal Regiment. The favourable outturn position of £200,000 is a welcome 'buffer' to underpin and support the Medium Term Financial Strategy in the current difficult financial climate faced by the entire public sector.

1.2.4 As already mentioned, measured against the Revised Estimate the overall revenue position is within budget to the sum of £200,000. The principal reasons for the better than expected net position prior to making a contribution to the General Revenue Reserve are given in the table below.

1.2.5 Members will note from the table that due to the current economic climate that income from the Council's major income streams was £840,477 less than the revised estimate. The Council did set aside £625,000 (net of management savings) for the expected downturn, some £215,477 less than the actual impact of the downturn on our major income streams. This shortfall being met from further management savings on the Council's salary bill of £248,974.

Description	Revised Estimate 2010/11 £	Outturn 2010/11 £	Variation £
Major Income Streams	(9,936,100)	(9,095,623)	840,477
Salaries including National Insurance and Superannuation Contributions	14,537,350	14,288,376	(248,974)
Economic Downturn	625,000	-	(625,000)
Landsbanki Investment	-	207,088	207,088
Investment Income (exc Landsbanki)	(491,400)	(542,817)	(51,417)
Housing & Council Tax Benefits	(190,500)	(57,317)	133,183
Car Parking - Payments to Principals	397,000	417,126	20,126
General Bad Debt Provision	5,000	17,510	12,510
Water & Sewerage	148,350	159,760	11,410
Here & Now (Council Newspaper)	62,500	52,472	(10,028)
Refuse, Recycling, Street Cleansing & Public Conveniences Contract Payments	3,151,900	3,140,024	(11,876)
Homelessness	(2,250)	(14,753)	(12,503)
Industrial Estates & Commercial Property Rental Income	(324,100)	(338,000)	(13,900)
Customer & Client Receipts	(7,450)	(21,440)	(13,990)
Habitats Regulations Government Grant	(16,850)	(33,670)	(16,820)
Marketing	42,750	23,768	(18,982)
Choosing Health Contribution	-	(25,000)	(25,000)
CCTV Monitoring Station	195,000	164,022	(30,978)
Software Support & Maintenance	342,950	309,589	(33,361)
Recruitment & Training	135,050	98,705	(36,345)
Energy	576,100	533,154	(42,946)
Concessionary Fares Scheme	698,350	608,173	(90,177)
Other Net Changes	4,766,050	4,623,553	(142,497)
Total	14,714,700	14,514,700	(200,000)

1.2.6 **[Annex 1]** provides details of Service specific issues in respect of the revenue outturn for 2010/11.

1.3 Leisure Services Business Unit

- 1.3.1 The trading statement for the Leisure Services Business Unit (LSBU) for the year ended March 2011 shows a deficit of £800,248 compared with the 2010/11 revised estimate of £779,450 net of contributions to or (from) the LSBU earmarked reserve for revenue purposes producing a small adverse variance of £20,798. An analysis of the position in respect of the four sites is given in the table below.

Leisure Services Business Unit	Revised Estimate	Provisional Outturn	Variance
	£	£	£
Angel Centre	277,000	229,514	(47,486)
Larkfield Leisure Centre	49,400	70,650	21,250
Tonbridge Swimming Pool	205,200	233,561	28,361
Poult Wood Golf Centre	262,250	266,523	4,273
Deficit / (Surplus)	793,850	800,248	6,398
Earmarked Reserve	(14,400)		14,400
Total	779,450	800,248	20,798

- 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 24 May 2011 which showed actual net spend of £2,059,000 against a budget provision of £3,433,000. **[Annex 3]** provides details of Service specific issues in respect of the capital outturn for 2010/11.
- 1.4.2 The majority of the £1,374,000 under spend will need to be rolled forward for use in 2011/12. General issues that contributed to the under spend are highlighted below.

- Capital renewals budgets totalling £1,486,000 with actual capital renewals expenditure totalling £1,016,000.

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 below budget.

An exercise is currently in progress to review the replacement dates for all renewable assets with a view to imparting greater accuracy in both the timing and level of future capital renewals provisions.

- A number of schemes are dependent on progress by other parties and delays outside the Council's control will lead to slippage. Examples of this include the Leisure Services Capital Grants to Organisation scheme for the provision of local community leisure facilities. The 2010/11 scheme budget was £152,000 whilst actual spend for the year was only £5,000. Similarly, the Section 136 Grants to Parish Councils Scheme has a revised 2010/11 budget of £94,000 whilst actual spend for the year was only £7,000.

1.5 Treasury Management and Investment Strategy Review

- 1.5.1 The Council has adopted the latest edition of the Chartered Institute of Public Finance and Accountancy Treasury Management Code and Cross-Sectoral Guidance Notes published in 2009. The Code requires an annual review report of the previous year to be presented and endorsed by Members. To comply with the Code an annual review report for the year 2010/11 is attached at **[Annex 4]**. As this is a technical document, if Members have any questions, could we please ask that you contact Michael Withey on extension 6103 in advance of the meeting.
- 1.5.2 The Council currently has an investment of £1m deposited in the Icelandic Bank, Landsbanki which in October 2008 went into administration. In April 2011 the Icelandic District Court ruled that such deposits have priority status which should aid recovery of a high proportion of the £1m deposited with Landsbanki. It should be noted, however, that not surprisingly, the other parties have appealed against the ruling of the Icelandic District Court and as a consequence the judgement is to be referred to the Icelandic Supreme Court.

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 is one contribution to reserves previously agreed by Members / Director of Finance and two adjustments and one contribution to reserves that require approval.
- 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 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 2010		6,284,111
Contribution to / (from) Reserve		481,600
Balance at 31 March 2011		6,765,711

1.6.5 The Medium Term Financial Strategy anticipated a General Revenue Reserve balance at 31 March 2011 of £6,566,000.

1.7 Audit Committee and General Purposes Committee

1.7.1 As mentioned earlier, a copy of the Statement of Accounts for 2010/11 will be presented to the Audit Committee for consideration and perusal on 20 June and to the General Purposes Committee for approval on 27 June. The Accounts 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.

1.8.2 The Council currently has an investment of £1m deposited in the Icelandic Bank, Landsbanki which in October 2008 went into administration. In April 2011 the Icelandic District Court ruled that such deposits have priority status which should aid recovery of a high proportion of the £1m deposited with Landsbanki. It should be noted, however, that not surprisingly, the other parties have appealed against the ruling of the Icelandic District Court and as a consequence the judgement is to be referred to the Icelandic Supreme Court.

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 and in accordance with the Regulations could adversely affect the Council.

1.10.2 In respect of the Landsbanki investment participation in the joint action co-ordinated by the Local Government Association is still thought to offer the greatest chance of recovering the defaulted loan and associated interest.

1.11 Equality Impact Assessment

1.11.1 See 'Screening for equality impacts' table at end of report

1.12 Recommendations

1.12.1 Cabinet is **RECOMMENDED** to:

- 1) Receive and approve the Revenue and Capital Outturn for the year 2010/11.
- 2) Endorse the recommendations following a review of specific earmarked reserves set out at paragraph 1.2.2.
- 3) Receive and approve the Treasury Management and Investment Strategy Review 2010/11 **[Annex 4]**.

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.

David Hughes Chief Executive	Sharon Shelton Director of Finance	Mark Worrall Leader of the Council	Martin Coffin Cabinet Member for Finance
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Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	This report is factual in nature setting out the Council's revenue and capital expenditure and income for the previous financial year.

Screening for equality impacts:		
Question	Answer	Explanation of impacts
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	N/A	This report is factual in nature setting out the Council's revenue and capital expenditure and income for the previous financial year.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.