

TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

20 June 2012

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

Part 1- Public

Executive Non Key Decisions

1 REVENUE AND CAPITAL OUTTURN

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 2012. 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 2011/12 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 2011/12 were highlighted in the notes to the Annual Estimate papers presented to Members during the 2012/13 budget cycle.
- 1.1.2 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 2011/12 will be presented to the **Audit Committee** for **perusal** and to the **General Purposes Committee** for **approval**. The Director of Finance will be presenting the Statement of Accounts to Audit Committee on 18 June and to General Purposes Committee on 2 July.

1.2 Overall Revenue Position

- 1.2.1 Members are advised that overall the revenue outturn is within budget with a contribution from the General Revenue Reserve of £510,575 compared with the Revised Estimate figure of £1,242,100. The favourable outturn position of £731,525 includes the first instalment of the 2012/13 grant award under the New Homes Bonus scheme of £99,225 and the principal reasons for the favourable outturn position are given in the table below.

- 1.2.2 We have 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 the Cabinet are asked to endorse setting aside £20,000 to engage the services of a consulting engineer to undertake site investigation and prepare costed options in respect of the river wall at Wouldham. In addition, approve an additional contribution of £50,000 to the Building Repairs Reserve.
- 1.2.3 The above proposals have been reflected within the outturn position given above.
- 1.2.4 As already mentioned, measured against the Revised Estimate the overall revenue position is within budget to the sum of £731,525 (or £632,300 excluding the first instalment of the 2012/13 grant award under the New Homes Bonus scheme). The principal reasons for the better than expected net position is given in the table below.

Description	Revised Estimate 2011/12 £	Provisional Outturn 2011/12 £	Variation £
Contribution to Building Repairs Reserve	350,000	400,000	50,000
Summons Costs Recovered	(238,000)	(205,660)	32,340
Water & Sewerage	162,000	190,353	28,353
Refuse, Recycling, Street Cleansing & Public Conveniences Contract Payments	3,366,700	3,340,445	(26,255)
Legal Expenses	44,750	17,539	(27,211)
CCTV Monitoring Station	190,000	161,887	(28,113)
Recruitment & Training	151,600	122,879	(28,721)
Software Support & Maintenance	397,650	368,807	(28,843)
Interest & Investment Income	(364,600)	(405,200)	(40,600)
Landsbanki (Impairment & Interest)	0	(93,251)	(93,251)
New Homes Bonus	(648,350)	(747,577)	(99,227)
Salaries including National Insurance and Superannuation Contributions	14,245,850	14,122,182	(123,668)
Major Income Streams	(8,504,550)	(8,678,949)	(174,399)
Other Net Changes	5,404,100	5,232,170	(171,930)
Total	14,557,150	13,825,625	(731,525)

- 1.2.5 **[Annex 1]** provides details of Service specific issues in respect of the revenue outturn for 2011/12.
- 1.2.6 Members will be aware of the proposal, via the Local Environmental Management Advisory Board on 22 May, to improve the Council's kerbside recycling collection services and that to facilitate the collection of additional materials will require the purchase (capital expenditure) of additional waste receptacles. The cost of the additional waste receptacles is in the order of £560,000. If Cabinet are minded to approve the proposal to improve the Council's kerbside recycling collection services as part of that process it is to be recommended to Full Council that the contribution to the revenue reserve for capital schemes for 2012/13 be increased

from £350,000 to £910,000 and can be facilitated from the favourable outturn position for 2011/12.

1.3 Leisure Services Business Unit

1.3.1 The trading statement for the Leisure Services Business Unit (LSBU) for the year ended March 2012 shows a deficit of £933,813 compared with the 2011/12 revised estimate of £1,016,550 net of contributions to or (from) the LSBU earmarked reserve for revenue purposes producing a favourable variance of £82,737. 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	328,350	289,059	(39,291)
Larkfield Leisure Centre	153,200	112,491	(40,709)
Tonbridge Swimming Pool	270,900	277,434	6,534
Poult Wood Golf Centre	264,100	254,829	(9,271)
Deficit / (Surplus)	1,016,550	933,813	(82,737)
Earmarked Reserve	-	-	-
Total	1,016,550	933,813	(82,737)

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 15 May 2012 which showed actual net expenditure of £1,339,000 against a budget provision of £2,138,000. **[Annex 3]** provides details of Service specific issues in respect of the capital outturn for 2011/12.

1.4.2 The majority of the £799,000 underspend will need to be rolled forward for use in 2012/13. General issues that contributed to the under spend are given below.

- Capital renewals budgets totalling £1,228,000 with actual capital renewals expenditure totalling £780,000.

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.

- The very nature of capital expenditure can see the rescheduling / reprofiling of budgetary provision for a variety of reasons. Examples of this include the Improvement Programme for Existing Car Parks where the works are to be completed in 2012/13 and Housing Assistance where the unused grant award is to be evenly reprofiled across the remaining period of the current Capital Plan.

1.5 Treasury Management and Investment Strategy Review

- 1.5.1 The Council adopted the December 2009 edition of the Chartered Institute of Public Finance and Accountancy Treasury Management Code of Practice and Cross-Sectoral Guidance Notes on 18 February 2010 and due regard also given to subsequent revisions to the Code. 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 2011/12 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 has a defaulted £1m investment with the Icelandic Bank, Landsbanki. UK local authorities' claims have been recognised as deposits with priority status. It is now considered likely that UK local authorities will recover 100% of their deposits, subject to potential future exchange rate fluctuations.

1.6 Balances and Reserves

- 1.6.1 **[Annex 5]** Table 1 shows the movement on the Special Projects Reserve. Members will note that there is one contribution to the Special Projects Reserve previously agreed by Members / Director of Finance and one that requires approval.
- 1.6.2 **[Annex 5]** Table 2 details the movement on Other Earmarked Reserves. Members will note that there are no contributions to Other Earmarked Reserves previously agreed by Members / Director of Finance or that requires 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 2011		6,765,711
Contribution to / (from) Reserve		(510,575)
Balance at 31 March 2012		6,255,136

1.6.5 The Medium Term Financial Strategy anticipated a General Revenue Reserve balance at 31 March 2012 of £5,523,000.

1.7 Audit Committee and General Purposes Committee

1.7.1 As mentioned earlier, a copy of the Statement of Accounts for 2011/12 will be presented to the Audit Committee for perusal on 18 June and to the General Purposes Committee for approval on 2 July. 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 has a defaulted £1m investment with the Icelandic Bank, Landsbanki. UK local authorities' claims have been recognised as deposits with priority status. It is now considered likely that UK local authorities will recover 100% of their deposits, subject to potential future exchange rate fluctuations.

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.

1.11 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 2011/12.
- 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 2011/12 [**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. Valuation/Impairment report provided by BPS Chartered Surveyors.

David Hughes Sharon Shelton Nicolas Heslop Martin Coffin
Chief Executive Director of Finance Leader Cabinet Member (Finance)

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.
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.