

# TONBRIDGE & MALLING BOROUGH COUNCIL

## CABINET

19 June 2013

### Report of the Chief Executive, Director of Finance and Transformation, Leader of the Council and Cabinet Member for Finance, Innovation and Property

#### Part 1- Public

#### Executive Non Key Decisions

#### 1 REVENUE AND CAPITAL OUTTURN 2012/13

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 2013. 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 2012/13 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 2012/13 were highlighted in the notes to the Annual Estimate papers presented to Members during the 2013/14 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 2012/13 will be presented to the **Audit Committee** for **perusal** and to the **General Purposes Committee** for **approval**. The Director of Finance and Transformation will be presenting the Statement of Accounts to the Audit Committee on 17 June and to the General Purposes Committee on 24 June.

#### 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 £638,344 compared with the Revised Estimate figure of £998,450. The principal reasons for the favourable outturn position of £360,106 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 that:

- £22,000 is set aside to fund work surrounding housing and welfare reform issues.
- £60,672 of the £98,442 representing the better than expected trading position of the Leisure Services Business Unit is transferred to the LSBU Reserve to take the reserve balance to £100,000 with the intention that this be passed to the Tonbridge and Malling Leisure Trust in due course; and the balance of £37,770 is transferred to the Invest to Save Reserve.
- £100,000 is transferred to the Tonbridge Town Centre Reserve to fund costs associated with the Tonbridge town centre redevelopment project.

1.2.3 The above proposals have been reflected within the outturn position given above. As already mentioned, measured against the Revised Estimate the overall revenue position is within budget to the sum of £360,106. The principal reasons for the better than expected net position is given in the table below.

Description	Revised Estimate 2012/13 £	Provisional Outturn 2012/13 £	Variation £
Tonbridge Town Centre Reserve	0	100,000	100,000
Applications & Appeals	40,000	117,588	77,588
Housing Benefits & Council Tax Benefits	(207,850)	(143,068)	64,782
Leisure Services Business Unit Reserve	0	60,672	60,672
Invest to Save Reserve	50,000	87,770	37,770
Legal Expenses	45,000	51,758	6,758
Planning Inquiries Reserve	(27,000)	0	27,000
Housing & Welfare Reform Reserve	0	22,000	22,000
Benefits Changes Grant Funding	(2,750)	(23,274)	(20,524)
Home Improvement Agency	45,000	22,500	(22,500)
Software Support & Maintenance	451,000	427,418	(23,582)
Landsbanki (Impairment)	0	(26,183)	(26,183)
Recruitment & Training	140,000	112,347	(27,653)
Energy	645,450	616,511	(28,939)
Telephones & Leased Lines & Modems	158,700	120,533	(38,167)
Interest & Investment Income	(329,700)	(368,140)	(38,440)
Summons Costs Recovered	(205,000)	(249,723)	(44,723)
Refuse, Recycling, Street Cleansing & Public Conveniences Contract Payments	3,532,050	3,447,107	(84,943)
Major Income Streams	(8,648,500)	(8,741,480)	(92,980)
Salaries including National Insurance and Superannuation Contributions	14,123,200	14,007,876	(115,324)
Other Net Changes	4,382,650	4,189,932	(192,718)
<b>Total</b>	<b>14,192,250</b>	<b>13,832,144</b>	<b>(360,106)</b>

1.2.4 **[Annex 1]** provides details of Service specific issues in respect of the revenue outturn for 2012/13.

### 1.3 Leisure Services Business Unit

1.3.1 The trading statement for the Leisure Services Business Unit (LSBU) for the year ended March 2013 shows a deficit of £802,008 compared with the 2012/13 revised estimate of £900,450 producing a favourable variance of £98,442. An analysis of the position in respect of the four sites is given in the table below.

<b>Leisure Services Business Unit</b>	<b>Revised Estimate</b>	<b>Provisional Outturn</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Angel Centre	299,650	235,528	(64,122)
Larkfield Leisure Centre	124,600	106,385	(18,215)
Tonbridge Swimming Pool	215,400	201,498	(13,902)
Poult Wood Golf Centre	260,800	258,597	(2,203)
<b>Total</b>	<b>900,450</b>	<b>802,008</b>	<b>(98,442)</b>

1.3.2 As mentioned at paragraph 1.2.2 Cabinet are asked to endorse that £60,672 of the £98,442 is transferred to the LSBU Reserve and the balance of £37,770 is transferred to the Invest to Save Reserve.

1.3.3 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 22 May 2013 which showed actual net expenditure of £2,160,000 against a budget provision of £2,781,000.

1.4.2 The majority of the £621,000 underspend will need to be rolled forward for use in 2013/14. General issues that contributed to the under spend are given below.

- Capital renewals budgets totalling £1,205,000 with actual capital renewals expenditure totalling £955,000.

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 and review of future budgetary provision for a variety of reasons. Examples of this include the capital grants to organisations where the one remaining outstanding grant award of £25,000 is yet to be claimed and housing assistance with a net spend of £5,000 compared to a budget provision of £146,000.

1.4.3 **[Annex 3]** provides details of Service specific issues in respect of the capital outturn for 2012/13.

## 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 has 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 2012/13 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 Members will be aware of our “defaulted” £1m investment with the Icelandic Bank, Landsbanki. Subject to exchange rates, we anticipate that we will recover all of the £1m we had on deposit with Landsbanki, together with the interest that was due had the deposit been repaid on time (October 2008) plus the award of additional interest for the period October 2008 to April 2009. To date £491,000 has been recovered.

## 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 four contributions to Other Earmarked Reserves that require approval.

1.6.3 **[Annex 5]** Table 3 gives details of some minor revenue adjustments agreed by the Director of Finance and Transformation 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.

<b>General Revenue Reserve</b>		
	<b>£</b>	<b>£</b>
Balance at 1 April 2012		6,255,135
Contribution to / (from) Reserve		(638,344)
<b>Balance at 31 March 2013</b>		<b>5,616,791</b>

1.6.5 The Medium Term Financial Strategy anticipated a General Revenue Reserve balance at 31 March 2013 of £5,257,000.

## **1.7 Audit Committee and General Purposes Committee**

1.7.1 As mentioned earlier, a copy of the Statement of Accounts for 2012/13 (unaudited) will be presented to the Audit Committee for perusal on 17 June and to the General Purposes Committee for approval on 24 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.

## **1.9 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 2012/13.
- 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 2012/13 **[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.

Julie Beilby  
Chief Executive

Sharon Shelton  
Director of Finance and Transformation

Nicolas Heslop  
Leader of the Council

Martin Coffin  
Cabinet Member for Finance, Innovation and Property

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?	N / A	This report is factual in nature setting out the Council's revenue and capital expenditure and income for the financial year ended 31 March 2013.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	N / A	
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.*