



EXECUTIVE

YOU ARE REQUESTED TO ATTEND A MEETING OF THE EXECUTIVE TO BE HELD IN THE PRINCIPAL COMMITTEE ROOM, THE DEANE HOUSE, BELVEDERE ROAD, TAUNTON ON WEDNESDAY 23RD JUNE 2004 AT 18:15.

AGENDA

1. Apologies
2. Minutes
3. Public Question Time
4. Approval of Draft Performance Plan
Report of Corporate Performance Manager (enclosed)
5. Outturn Report 2003/04
Report of Financial Services Manager (enclosed)
6. Treasury Management Update
Report of Financial Services Manager (enclosed)

The following item is likely to be considered after the exclusion of the press and public because of the likelihood that exempt information would otherwise be disclosed relating to the Clause set out below of Schedule 12A of the Local Government Act 1972.

7. Establishment of a Leisure Trust - Tone Leisure (South West) Limited
Report of Chief Executive (enclosed)

G P DYKE
Member Services Manager

The Deane House
Belvedere Road
TAUNTON
Somerset

TA1 1HE

15 June 2004

Executive - 12 May 2004

Present: Councillor Williams (Chairman)
Councillors Bishop, Mrs Bradley, Mrs Bryant, Cavill, Edwards, Hall and Mrs Lewin-Harris

Officers: Mrs P James (Chief Executive), Mr P Weaver (Director of Community Services - Acting), Ms S Adam (Head of Finance), Ms J Dickinson (Head of Commercial Services), Mr C Brazier (Head of Housing), Mr R Warner (Head of Finance and Administration), Mr S Rutledge (Chief Architect) and Mr G P Dyke (Member Services Manager)

Also Present: Councillors Henley, Wedderkopp and Weston.

(The meeting commenced at 6.15 pm).

21. Apology

Councillor Garner.

22. Minutes

The minutes of the meeting of the Executive held on 7 April 2004 were taken as read and were signed, subject to the following amendment to Minute No 15, "Public Question Time":-

Add: "If it was decided to site it adjacent to the Sports Centre as previously, it had to be noted that the Sports Centre staff could not be responsible for security or monitoring its use and therefore this would be the responsibility of the Wellington Town Council."

23. Public Question Time

1. Councillor Henley, as a member of the public, referred to a letter sent by Councillor Mrs Bradley to the Wellington Town Council. The letter concerned the Wellington Skateboard Park and its location and it explained that the Town Council would be expected to monitor the site and be financially responsible for any problems. He stressed that this was a Borough Council facility and that the Town Council were not responsible for it. He asked what the way forward would be.

Councillor Williams replied that the officers had advised that this was not the best site for this facility and that its location in this vicinity might result in problems. The Town Council should therefore take responsibility as they were the ones insisting on siting it in this location.

Councillor Bradley referred to her letter to the Town Council which contained several options including a review of overall youth provision in Wellington.

She said that the choice was the Town Council's and she was waiting to hear from them.

2. Councillor Henley also asked Councillor Williams whether the review of public conveniences would be submitted to the appropriate Review Panel.

Councillor Edwards replied that the review was still continuing but that it was close to a conclusion. It was necessary to undertake more detailed research into the actual usage of facilities.

24. Contract Final Accounts

Submitted details of all relevant contract final accounts which were now reported on an annual basis. The accounts were those on which there was relevant information available, had been audited up to the end of the preceding financial year and had not previously been reported to members.

RESOLVED that the report be noted.

25. Performance Monitoring of Contracts supervised by Deane Building Design Group

In accordance with the requirements of the Council's Standing Orders, submitted details of the progress of all works contracts in excess of Threshold 2 (£50,000) for those contracts supervised by Deane Building Design Group.

Following an amendment being made to Standing Orders in January 2004, this was the first report on the current performance of all Deane Building Design Contracts in excess of £50,000. It was intended to show whether individual projects were on programme, together with the current financial position. Reports were based on the relevant last financial statements and most recent valuations.

Further reports would be submitted to the Executive at future meetings.

RESOLVED that the report be noted.

26. Leisure Services Strategic Review - Strand One

Submitted report which presented a financial analysis of the Leisure Service showing the net cost by facility and by service.

Consideration was given to a range of savings options which aimed to reduce the overall net cost of the Leisure Service. Consideration was also given to levels of savings which over a three year period would return the cost of providing the Leisure Service to its historic level in 2002/03 of in the region of £462,000.

Council, at its meeting on 22 December 2003, had deferred the decision to transfer its leisure services and facilities to Tone Leisure (South West) Limited for six months. One of the reasons for this decision related to the level of grant that the Trust would require to maintain the existing level of service, as well as launching and operating the new Wellsprings Leisure Centre. The cost of providing the Leisure Service

appeared to have risen significantly, increasing from £462,000 in 2002/03 to a projected cost of £821,000 in 2004/05. This was as a result of introducing a new facility to the portfolio, combined with external market factors such as increased private sector competition.

The first stage of the Leisure Service's Strategic Review now formed an important part of the Council's Financial Strategy which had previously been approved by the Executive and the Council in April 2004. Leisure was not a statutory responsibility and the Council needed to determine the level of leisure provision it felt was appropriate and how much it was willing to pay for that service. It was clear that the Council could not afford the current level of service in the long term.

The savings options contained within the report had been critically appraised by the Council's consultant, Mark Sutcliffe of Strategic Leisure Limited, and the shadow board of Tone Leisure had been consulted about the savings options. The report had also been submitted to the Health and Leisure Review Panel at its meeting on 29 April 2004 and the proposed Category One and Two savings had been recommended for approval by that Panel, provided that Sunday swimming pool opening hours at Wellington Sports Centre were reconsidered.

A number of costed options for significantly reducing the cost of leisure by 2006/2007 had been prepared. A summary of net cost by facility and service was submitted which included the Category One and Two savings that had been outlined in the report. The detailed savings shown demonstrated that a broad range of options had been considered.

RESOLVED that:-

- (1) The financial analysis of the Leisure Service showing the net cost by facility and service be noted;
- (2) The acceptability rankings (Categories One, Two and Three) that had been allocated to each saving option be agreed;
- (3) The Category One and Two savings options reducing the net cost of the service over a three year period to £467,000 be agreed.

(The meeting ended at 7.12 pm).

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE 23rd JUNE 2004

REPORT OF THE CORPORATE PERFORMANCE MANAGER

(This matter is the responsibility of Councillor John Williams, Leader of the Council)

APPROVAL OF DRAFT PERFORMANCE PLAN

1. Purpose

1.1 To recommend approval to Council of the Performance Plan 2003/04.

2. Background

2.1 It has been a requirement for councils to produce an annual Performance Plan since April 2000, in accordance with Part 1 of the Local Government Act 1999: Best Value and Performance Improvement.

2.2 The legislation provides guidelines on the content of Plans, which is revised annually by Government. The current guidance is contained within ODPM Circular 03/2003, with further guidance issued as an addendum in February 2004.

2.3 The latest guidance reaffirms that Performance Plans should become the focus of authorities improvement planning, by articulating priorities for improvement, including how weaknesses will be addressed, opportunities exploited and better outcomes delivered for local people. It should set targets for improved future performance.

2.4 In line with the Governments approach to delivering freedoms and flexibilities for better performing authorities, the Government has implemented a differentiated approach that reflects CPA categorisation. Unfortunately, as we will not receive our categorisation until September, the Council must produce the more comprehensive Plan, similar to those councils rated as Fair, Weak or Poor.

2.5 The main audience of the Plan is officers, members, groups and organisations with an interest in the authority, the regulatory bodies and central government. The publication deadline is 30th June each year.

2.6 In accordance with the Governments approach to deregulation it is no longer necessary to include information, which can be obtained from other sources. This has better focussed the Plan and enabled the Council to shape this year's Plan around the Corporate Priorities. This also meets the External Auditor's recommendation to reduce the Plan.

3. Timetable

- 3.1 In preparing this final draft we have endeavoured to ensure that all significant matters have been included within our understanding and interpretation of the statutory guidance. In this regard the External Auditor has undertaken a cursory review of the document prior to publication and is satisfied that it meets the main compliance criteria. A full audit will commence after publication.
- 3.2 Much of the information and data required to produce the Plan is not available until after the year-end, 31st March. It then has to be both analysed and summarised. Additionally, the recent CPA inspection had a considerable impact on the resources available to produce the Plan. Therefore, the Plan has been prepared in an even shorter time period.
- 3.3 As a consequence the Review Board, at their meeting of 9th June, refused to recommend approval of the Plan, as the version they had was not complete.
- 3.4 As in previous years, Full Council will be asked to give retrospective approval after 30th June publication deadline.

4. Matters of Interest

- 4.1 Approximately 250 paper copies of the BVPP will be distributed to Members, neighbouring councils, key partners and Council Managers. It will also be available to view at all Council information points, local libraries and via the Internet. To reduce production costs, parish councils will not receive Plans automatically, but will be given the opportunity to request a copy. In addition, electronic copies will be produced on CD Rom, as required. Last year, approximately 250 were produced in this way, mainly in application packs for the Council's senior posts. The Plan is usually held in high esteem by external assessors and provides a good overview of the Council to interested parties.
- 4.2 The public are given a performance summary in the Booklet that was distributed with Council Tax and NNDR bills throughout March 2004. Performance Plans are provided to the public where they are requested, but this normally accounts for just a small number.

5. Financial Implications

- 5.1 Production costs of the Plan are minimised, through desktop publishing and internal photocopying, outsourcing only the printing of the cover and binding. The CD Rom is also published internally. The cost is anticipated to be approximately £4 for a paper copy and £1 for a CD Rom.

6. Effect on Corporate Priorities

- 6.1 The Performance Plan is the main document in delivering the Council's Corporate Priorities. It affects them all as it addresses the Council's key priorities for improvement and sets targets for improved future performance.

7. Recommendation

7.1 Members are asked to recommend approval of the Performance Plan to Full Council.

Contact Officer:

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TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE 23 JUNE 2004

REPORT OF THE FINANCIAL SERVICES MANAGER

OUTTURN REPORT 2003/04

This matter is the responsibility of Executive Councillor Williams (Leader of the Council)

1.0 Executive Summary

- 1.1 This report sets out and analyses the Council's General Fund (GF) and Housing Revenue Account (HRA) outturn for 2003/04.
- 1.2 The General Fund Revenue outturn shows an underspend of £240k (2.1%) when compared with the current budget, i.e., the budget for 2003/04 as approved by Council on 12th February 2003 plus any subsequently approved supplementary estimates and virements. Executive Councillors are recommending that this amount be transferred to unallocated capital resources in 2004/05.
- 1.3 The General Fund Capital Programme expenditure for the year amounted to £2,378,314, the total budget for the year was £4,440,321. Therefore the majority of this underspend will be slipped to the 2004/05 year. The revised budget for 2004/05 to 2006/07 will therefore be £3,669,077. The amount of unallocated capital resources now total £1,604,691.
- 1.4 The Housing Revenue Account draft outturn shows a Working Balance carried forward into 2004/05 of £1,752,479, which is £206,314 (13%) more than predicted in the Q3 budget monitoring report.
- 1.5 HRA Capital expenditure amounted to £5,519,306 against a current budget of £6,056,040. This underspend will be slipped to the 2004/05 financial year.
- 1.6 The details of major spending and income variations are shown in the attached appendix, and the figures remain subject to external audit.

2.0 Purpose

- 2.1 To update the Executive on the outturn position of the Authority on revenue and capital for the General Fund, Housing Revenue Account and trading services for 2003/04.
- 2.2 The outturn position reported for the HRA and GF contains some estimated figures for government subsidies on housing and council tax benefit. The final figures for these will not be available in time for the final accounts to be produced. Should the final figures differ significantly from those used in closing down the accounts for 2003/04, a further report will be presented to Members giving the updated position on subsidy and the implications for the Council's reserves.
- 2.3 The following outturn figures will therefore be used to prepare the Council's Statement of Accounts, which will be presented to the Corporate Governance Panel

next month. This is well within the current statutory timetable for approval of the 2003/04 annual accounts and when compared to previous years, a quicker closedown of the annual accounts has been achieved. However further improvements to the closedown timetable will have to be made over the next two years to meet the deadline which will be in place when the Council considers the 2005/6 accounts (i.e., June 2006).

GENERAL FUND

3.0 Revenue

3.1 Members were presented with regular budget monitoring reports during 2003/04 outlining the estimated outturn position and the likely impact on the General Fund reserve. In summary, these reports showed the following expected use of reserves to support the budget:

| 2003/04 | Change during the Year £ | Impact on General fund Reserve £ |
|---|-----------------------------|-------------------------------------|
| Original use of Reserves | | 692,499 |
| Plus supplementary estimates agreed during the year: | | |
| Crescent Development | +70,000 | |
| Variation to CE Salary | +5,669 | |
| Partial Exemption (02/03 & 03/04) | +179,000 | |
| Somerset Direct | +84,638 | |
| Q3 variation to budget * | 0 | |
| Total Use of Reserves to support the 2003/04 budget | | 1,031,806 |

* the Q3 budget monitoring report showed an underspend of £32,217 however it was agreed that this minor underspend would be used to fund some new initiatives such as “Crisp & Clean” and pump priming the Hunts Court development.

3.2 The draft outturn for 2003/04 is set out in summary in Appendix ‘A’, and is set out in four main columns as follows: -

1. The Original Budget approved by the Executive on 12 February 2003 (Column 1)
2. The Current Budget including all supplementary estimates and virements during the year, which have been approved by the Executive. (Column 2)
3. The Draft Outturn Position (Column 3)
4. The Variance between the Current Budget and the Draft Outturn (Column 4).

3.3 This appendix shows that the actual underspend for the last financial year was £240,135 or 2.1% less than the approved authority expenditure. Reasons for this underspend are due to a small number of sizeable variations, the majority of which have occurred during the last quarter of the financial year, i.e., after the 3rd quarterly budget monitoring report to Members in February 2004. The main reasons for this are shown in the following table: -

| Expenditure Head | Variation since the Q3 Budget Monitoring Report £ | Comments |
|--|--|---|
| Additional Costs | | |
| Loss on Leisure DSO operations 2003/04 | 90,847 | As the DSO has no remaining reserves the Leisure DSO total operational loss has to be financed from the General Fund. The amount shown here is the total variation above that which was expected to be financed from the General Fund. Further details are shown in para. 7.3 |
| Homelessness | 40,000 | Increased commissioning of Private Sector Leased houses, and an increase in use of the Rent Deposit Scheme over that anticipated at Q3 in order to stop families being housed in B & B accommodation. |
| Additional Income | | |
| Housing Benefit Subsidy | -211,000 | Increased housing benefit subsidy, and extra WIBS, Sanctions, Overpayment, & Discretionary payments received over that anticipated at Q3. This variation although large in cash terms represents a total variation of only 2% on a total Subsidy budget of £10.5m. Improved monitoring of subsidy throughout the year may have highlighted this variation earlier |
| Crematorium | -77,000 | Additional income through increased usage within the last quarter. |
| Council Tax Collection | -74,000 | Additional Council Tax costs recovered from debtors. This is an area, which is not traditionally monitored throughout the financial year, and therefore variations can occur. Monitoring of this income source will be improved in 2004/05. |
| Other | -8,982 | Various underspends and other minor increases in income |
| Total Net Over/(Underspend) | -240,135 | |

- 3.4 In April 2004 it was reported to the Executive that £97,000 of monies set aside for the repayment of VAT will no longer be required. The Executive agreed to transfer these monies to unallocated capital resources and an RCCO has been done in 2003/04 to reflect this. However this will require the approval of a virement by Full Council and it is proposed that this is sought now (together with the supplementary estimate referred to below in paragraph 3.5).

3.5 General Fund Reserve

The current budget required a total of £1,031,806 from the General Fund Reserve to support expenditure, the underspend detailed in paragraph 3.3 will now reduce this to £791,671. In order to increase the level of capital resources available Executive Councillors propose that this underspend of £240,135 is transferred via the Revenue Account in 2004/05 to unallocated capital resources. This will require the approval by Council of a supplementary estimate. The current position of the General Fund Reserve is therefore:

| | £ | £ |
|---|----------|------------------|
| Balance brought forward 1 April 2003 | | 2,108,428 |
| Add: | | |
| VAT refund re car park excess charge income | +71,715 | |
| Interest Receivable on above VAT claim | +10,249 | |
| Foot and Mouth Underspend | +24,825 | |
| Transfer from Reserves and Provision | +144,567 | |
| Less amounts used to support the 2003/04 budget: | | |
| Original Amount approved | -692,499 | |
| Other supplementary estimates: | | |
| Crescent Development | -70,000 | |
| Variation to CE Salary | -5,669 | |
| Partial Exemption (2002/03 & 2003/04) | -179,000 | |
| Somerset Direct | -84,638 | |
| Add back 2003/04 underspend | +240,135 | |
| Balance carried forward 31 March 2004 | | 1,568,113 |
| Less original amount used to support the 2004/05 budget | -16,527 | |
| Less supplementary estimate re Corporate re-structure | -109,009 | |
| Less RCCO for 2003/04 underspend | -240,135 | |
| Expected balance @ 31 March 2005 | | 1,202,442 |

- 3.6 Details of the major variations arising since the Q3 budget monitoring exercise are listed and explained in Appendix B.
- 3.7 Due to the size of the Councils capital programme and the significant problems experienced during the year on schemes such as the Wellsprings Centre a larger proportion of Officer time has been charged to capital works than expected. The budget for this Officer time is contained within the revenue budget and the Executive is requested to approve an RCCO to switch this budget to capital in 2003/04. In total this amounts to £25,662. This is already reflected in Appendix A.
- 3.8 As part of the recommendations of this report there is a request for the funding of the DSO deficit from the General Fund, the creation of an additional RCCO for the Internal staff time charged to capital, the virement of VAT monies to unallocated

capital resources and finally the transfer of the 2003/04 GF underspend to unallocated capital resources in 2004/05.

4.0 Capital

4.1 The General Fund Capital Programme for 2003/04 showed a net total budget of £4,440,321. The final outturn position shows total net expenditure of £2,378,314, leaving an underspend of £2,062,007. The majority of the underspend is due to expenditure on the following schemes not proceeding as planned:

- Paul St Car Park
- Flood Alleviation schemes
- TDBC Contribution to Silk Mills

As is common for Capital budgets, which may span more than one financial year, the majority of the underspend, or slippage, has been rolled forward into the 2004/05 Capital Programme. The updated 2004/05 to 2006/07 Capital Programme now totals £3,669,077. Improvements in GF Capital budget monitoring are to be implemented during 2004/05 so that slippage in schemes is identified and reported to Members earlier.

4.2 It should be noted that in the original estimate of capital resources it was assumed that the Council would benefit from a capital receipt arising from the sale of land at the Tangier Filling Station site of £150,000. Recent information now indicates that this receipt is not likely to be available in the near future and it has therefore been removed from the Council's projection of unallocated capital resources shown below.

4.3 The amount of unallocated capital resources is now £1,604,691.

HOUSING REVENUE ACCOUNT

5.0 Revenue

5.1 The Housing Revenue Account has also been closed using estimated subsidy figures (see 2.2 above).

5.2 The draft outturn shows a Working Balance carried forward into 2004/05 of £1,752,479, which is £206,314 more than predicted in the Q3 budget monitoring report.

5.3 The reduced expenditure of £206,314 arises for the following reasons:

| Heading | £'000 |
|--|--------------|
| Maintenance | +77 |
| Rent Rebates | +334 |
| Debt Charges | +10 |
| Provision for Bad Debts | +42 |
| Additional Income (incl. rent income) | -50 |
| Additional subsidy (mainly rent rebates) | -515 |
| Additional windfall (supporting people) | -78 |
| Lower management expenditure | -26 |
| TOTAL | -206 |

Further details are shown in Appendix C.

Deane Helpline

- 5.4 The balance carried forward on the Trading Account at 31 March 2004 amounts to £109,553 compared to the revised estimate of £81,160. The increased working balance is encouraging, and will help fund a recent job evaluation award to the Control Centre operators, which will lead to increased salary costs from 1st April 2004 onwards.

Capital Receipts

- 5.5 All useable Capital Receipts were spent during 2003/04. Reserved Capital receipts amounting to £5,539,876 were used to redeem Housing debt, and the balance of usable capital receipts at 31 March 2004 is therefore nil.

Provision For Capital Expenditure

- 5.6 £137,579 of capital expenditure was financed out of revenue during 2003/04. The balance available as at 31 March 2004 stands at £544,166 and this will be spent during the current year.

6.0 Capital

- 6.1 When the Q3 budget monitoring report was prepared it was expected that there would be an overspend against original budget of £387,630. Members will note that at outturn there is an underspend of £536,734 between the third and fourth quarters. Contracts for the provision of new kitchens in Council properties have been delayed due to delays in securing partnering arrangements and the late delivery of kitchen units from suppliers. Grants to Registered Social Landlords have also been delayed.

- 6.2 A summary is set out below:

| Description | Original Estimate 2003/04 £ | Q3 Estimate 2003/04 £ | Actual 2003/04 £ |
|----------------------|--|--------------------------------------|---------------------------------|
| HRA | 3,986,600 | 4,474,040 | 4,016,529 |
| Renovation Grants | 861,000 | 850,000 | 898,969 |
| Social Housing Grant | 820,810 | 732,000 | 603,808 |
| Total | 5,668,410 | 6,056,040 | 5,519,306 |

7.0 TRADING SERVICES

7.1 Deane DLO

During the year the Deane DLO made a net surplus of £12,702. Due to the size of this surplus no provision will be made for the distribution of profit share to the Deane DLO employees. The balance on the DLO Reserve as at 31 March 2004 will therefore be £83,392.

7.2 A summary of performance is shown below:

| Deane DLO | Surplus/(Deficit) 2003/04 £ |
|----------------------|--|
| Highways | 7,724 |
| Grounds Maintenance | 4,307 |
| Building Maintenance | 248 |
| Cleansing | 424 |
| Total | 12,702 |

7.3 **Leisure DSO**

During 2003/04 with the progression of the Leisure Trust it was estimated at Q3 the DSO would require additional deficit funding over that allowed in the original budget of £23,000. The actual level of deficit funding required was a further £90,847. The main reason for this is that the 2003/04 budget did not accurately reflect the business plan of the Trust and the competitive market in which the DSO is currently operating in. As mentioned earlier as the DSO has no remaining reserves this loss will have to be funded from the General Fund.

7.4 When comparing the actual outturn of the DSO against the Business Plan of the Trust it is encouraging to note that the actual deficit of £527k was only £8k higher than expected. However it should be noted that this has been achieved as a result of having to curtail expenditure in the light of falling income.

8.0 Effect on Corporate Priorities

8.1 As this report covers all aspects of the Council's finances, all corporate priorities are affected.

9.0 RECOMMENDATION

9.1 The Executive is requested to:

- a) Note the draft outturn positions on revenue and capital for both the General Fund and Housing Revenue Account for 2003/04.
- b) Approve the creation of an RCCO for Internal Recharges charged to capital projects of £25,662.
- c) Approve the funding of £90,847 of the Leisure DSO deficit from the General Fund.
- d) Request that Full Council approve the virement of £97,000 of monies previously set aside for the repayment of VAT to unallocated capital resources.
- e) Request that Full Council approve a supplementary estimate in 2004/05 of an RCCO for the 2003/04 GF underspend of £240,135.

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Background Papers: Executive 12 February 2003, Revenue Budget Setting 2003/4,
Executive 11 February 2004, Third Quarter Budget Monitoring
Report.2003/04

Appendix A

TAUNTON DEANE BOROUGH COUNCIL

GENERAL FUND REVENUE OUTTURN 2003/04

The outturn shows the expenditure on and income from the Council's day-to-day activities. It gives the costs of the main services provided according to the Council portfolio structure.

| Actual 2002/03 £ | Portfolio | Original Estimate 2003/04 £ | Current Estimate 2003/04 £ | Actual Expenditure 2003/04 £ | Variance £ |
|------------------------|--|--------------------------------------|-------------------------------------|---------------------------------------|-----------------|
| | | (1) | (2) | (3) | (4) |
| 486,297 | Community Leadership | 641,660 | 591,660 | 560,808 | (30,852) |
| 1,853,460 | Corporate Resources | 1,846,320 | 1,928,258 | 1,551,542 | (376,716) |
| 791,001 | Economic Dev. Property & Tourism | 750,680 | 752,060 | 776,624 | 24,564 |
| 3,410,631 | Environmental Services | 3,622,940 | 3,676,810 | 3,666,986 | (9,824) |
| 2,906,634 | General Services | 2,494,280 | 2,853,262 | 3,115,409 | 262,147 |
| 1,736,008 | Housing Services | 1,873,910 | 1,819,900 | 1,856,175 | 36,275 |
| 3,492,729 | Leisure, Arts & Culture | 3,056,070 | 3,285,347 | 3,398,460 | 113,113 |
| 915,716 | Planning Policy & Transportation | 673,270 | 675,660 | 575,449 | (100,211) |
| 1,823,899 | Exceptional Item – RCCO for commutation adjustment (2001/02) | | | | |
| 17,416,375 | Total Service Expenditure | 14,959,130 | 15,582,957 | 15,501,452 | (81,505) |
| 96,176 | Revenue Financing of Capital | 75,910 | 75,910 | 69,103 | (6,807) |
| (3,632,990) | Asset Management Revenue Account | (2,521,593) | (2,521,593) | (2,612,412) | (90,819) |
| 162,134 | Contribution to DLO Reserve re AMRA | 155,762 | 155,762 | 152,014 | (3,748) |
| (569,918) | Loans Fund Principal | (556,832) | (710,492) | (644,865) | 65,627 |
| 78,315 | Contribution to V & P Account | 61,777 | 61,777 | 61,609 | (168) |
| (405,202) | Interest Income | (219,140) | (350,000) | (472,716) | (122,716) |
| (2,201,617) | Contribution from General Fund Balances | (692,499) | (1,031,806) | (791,671) | 240,135 |
| 10,943,273 | Authority Expenditure | 11,262,515 | 11,262,515 | 11,262,515 | 0 |
| 7,710 | Special Expenses | 25,000 | 25,000 | 25,000 | 0 |
| 10,950,983 | Borough Expenditure | 11,287,515 | 11,287,515 | 11,287,515 | 0 |
| 265,838 | Parish Precepts | 281,110 | 281,110 | 281,110 | 0 |
| 11,216,821 | Budget Requirement | 11,568,625 | 11,568,625 | 11,568,625 | 0 |
| (4,238,941) | Contribution from NNDR Pool | (3,579,322) | (3,579,322) | (3,579,322) | 0 |
| (2,673,651) | Revenue Support Grant | (3,458,359) | (3,458,359) | (3,458,359) | 0 |
| | Surplus on Collection Fund | | | | |
| 23,804 | Community Charge | (27,974) | (27,974) | (27,974) | 0 |
| (47,995) | Council Tax | (22,140) | (22,140) | (22,140) | 0 |
| 4,280,038 | Net Expenditure to be Raised by Council Tax | 4,480,830 | 4,480,830 | 4,480,830 | 0 |

GENERAL FUND RESERVE BALANCE 2003/04

| | | | | | |
|------------------|---------------------------------------|------------------|------------------|------------------|----------------|
| 3,946,308 | Balance b/f 1 April | 2,002,807 | 2,108,428 | 2,108,428 | 0 |
| 363,737 | Transfer from Provisions and Reserves | 0 | 168,406 | 169,392 | 986 |
| 0 | VAT Refund re Car Parks | 0 | 81,961 | 81,964 | 3 |
| -2,201,617 | Contribution from GF Balances | -692,499 | -1,031,806 | -791,671 | 240,135 |
| 2,108,428 | Balance c/f at 31 March | 1,310,308 | 1,326,989 | 1,568,113 | 241,124 |

Appendix B

Analysis of Variations since Q3 Budget Monitoring Exercise - 2003/04

| Executive Councillor | Head of Service | Service | Amount £000's | Over or Under spend £000's | Comments |
|----------------------|-----------------------|----------------------------------|------------------|-------------------------------|---|
| | | Increased Income | | | |
| Cllr Bishop | Env. & Leis. Services | Horticultural Maint. Of Highways | (5) | | Increased contribution from SCC |
| Cllr Cavill | Resources | Property Management | (7) | | Additional income from property rents |
| Cllr Hall | Resources | Council Tax Benefits | (18) | | Net increase in CT benefit subsidy |
| Cllr Edwards | Env. & Leis. Services | Licensing | (19) | | Additional income from Licensing fees |
| Cllr Hall | Resources | Investment Income | (53) | | Changes to interest allocation policy |
| Cllr Hall | Resources | Council Tax Collection | (74) | | Additional CT costs recovered |
| Cllr Edwards | Env. & Leis. Services | Crematorium | (77) | | Net increase in cremation income |
| Cllr Hall | Resources | Rent Allowances | (211) | | Increased housing benefit subsidy, and extra WIBS, Sanctions, Overpayment, & Discretionary payment received |
| | | Total | | (464) | |
| | | Reduced Income | | | |
| Cllr Cavill | Resources | Taunton Market | 4 | | Reduced rent from the Market |
| Cllr Edwards | Env. & Leis. Services | Cemetery | 7 | | Reduced fees and charges |
| | | Total | | 11 | |
| | | Reduced Costs | | | |
| Cllr Bishop | Corporate Services | Shopmobility | (5) | | Reduced Contribution to SCC |
| Cllr Edwards | Env. & Leis. Services | Waterways | (9) | | Net reduction in contracts costs |
| Cllr Edwards | Env. & Leis. Services | Street Cleansing | (15) | | Net reduction in contracts costs |
| Various | Various | Other Variations | (2) | | Various minor underspends |
| | | Total | | (31) | |
| | | Increased Costs | | | |
| Cllr Cavill | Development | Publicity & Tourism | 6 | | Increased costs of advertising |
| Cllr Williams | Resources | Corporate Management | 9 | | Increased contribution to HRA - Expenditure on Estates |
| Cllr Bradley | Env. & Leis. Services | Park & Playing Field | 23 | | Increased contract costs |
| Cllr Williams | Resources | Corporate Management | 26 | | Increased payment to the Audit Commission – poor estimate |
| Cllr Garner | Housing | Homelessness | 40 | | Net increase in bed & breakfast running costs |
| Cllr Williams | Resources | Corporate Management | 50 | | Increased bad debt provision |
| Cllr Bradley | Env. & Leis. Services | Leisure DSO | 90 | | Increased contribution to the Leisure DSO |
| | | Total | | 244 | |
| | | Total Underspend | | (240) | |

Appendix C

Housing Revenue Account

| | Original Estimate 2003/04 £ | Current Estimate 2003/04 £ | Actual 2003/04 £ | Variance £ |
|----------------------------------|--|---|---------------------------------|-----------------------|
| | (1) | (2) | (3) | (4) |
| <u>Income</u> | | | | |
| Dwelling Rents | 15,563,990 | 15,550,990 | 15,564,662 | 13,672 |
| Non Dwelling Rents | 380,340 | 380,340 | 401,941 | 21,601 |
| Charges for Services/Facilities | 487,920 | 487,920 | 403,920 | -84,000 |
| Contribution towards expenditure | 213,570 | 213,570 | 215,064 | 1,494 |
| Government Subsidy | 3,586,630 | 3,627,630 | 4,142,740 | 515,110 |
| Subsidy-Housing Defects Act | 243,610 | 243,610 | 243,613 | 3 |
| Net Supporting People Windfall | 0 | 191,500 | 427,914 | 236,414 |
| Total Income | 20,476,060 | 20,695,560 | 21,399,854 | 704,294 |
| <u>Expenditure</u> | | | | |
| Management General | 3,256,150 | 3,411,150 | 3,426,928 | 15,778 |
| Maintenance | 4,549,520 | 4,616,520 | 4,693,598 | 77,078 |
| Rent Rebates | 7,455,550 | 7,455,550 | 7,789,447 | 333,897 |
| Provision for Bad Debt | 40,000 | 0 | 42,045 | 42,045 |
| Capital Charges-interest | 10,189,020 | 10,189,020 | 9,982,851 | -206,169 |
| Capital Charges-depreciation | 3,316,870 | 3,316,870 | 3,316,843 | -27 |
| Debt Management expenses | 20,770 | 20,770 | 34,375 | 13,605 |
| Total Expenditure | 28,827,880 | 29,009,880 | 29,286,087 | 276,207 |
| Net Expenditure | 8,351,820 | 8,314,320 | 7,886,233 | -428,087 |
| Capital Charges-interest | -10,189,020 | -10,189,020 | -9,982,851 | 206,169 |
| Loan Charges-interest | 1,273,350 | 1,178,350 | 1,136,134 | -42,216 |
| Interest Receivable | -84,570 | -84,570 | -78,102 | 6,468 |
| Net Operating Expenditure | -648,420 | -780,920 | -1,038,586 | -257,666 |
| Appropriations | | | | |
| Housing Set Aside/MRP | 415,730 | 400,730 | 439,752 | 39,022 |
| Revenue Contributions to Capital | 213,620 | 213,620 | 225,950 | 12,330 |
| (Surplus)/Deficit | -19,070 | -166,570 | -372,884 | -206,314 |

Working Balance

| | | | | |
|------------------------------|----------------|------------------|------------------|-----------------|
| Balance b/f 1/4/2003 | 677,690 | 1,379,595 | 1,379,595 | 0 |
| Plus Net Surplus 2002/03 | -263,240 | 0 | 0 | 0 |
| Plus Net Surplus 2003/04 | -19,070 | -166,570 | -372,884 | -206,314 |
| Balance c/f 31/3/2004 | 960,000 | 1,546,165 | 1,752,479 | -206,314 |

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE 23rd JUNE 2004

REPORT OF THE FINANCIAL SERVICES MANAGER

This matter is the responsibility of Councillor Williams (Leader of the Council)

TREASURY MANAGEMENT UPDATE

EXECUTIVE SUMMARY

- External debt was reduced by over £3m during 2003/04.
- Interest rates followed an upward trend after bottoming out at 3.5% between July & Oct 2003.
- Investment Income was up on previous year, £634k compared to £540k, with the General Fund share also up by £70k to £470k.
- Future interest rates are expected to rise, peaking at around 4.75% during 2004, 2005 and 2006.
- New regulation and a requirement to adhere to CIPFA's 'Prudential Code' have given the Council greater flexibility in its' borrowing strategy and investments.
- Cash Flow surpluses have remained largely static, though interest rate trends suggest greater than budgeted investment income.
- Treasury Management Practices (TMP's) documentation has been altered to increase flexibility and effectiveness of day-to-day treasury operations.

1. Purpose Of The Report

- 1.1 To update the Executive on the outturn position for treasury management activities for 2003/04, and the current position to date for the financial year 2004/05 on treasury management issues.

FINAL FIGURES 2003/04

2. External Debt

- 2.1 The Analysis of debt for the year ending 31st March 2004 is as follows: -

| | |
|--|-------------|
| | £ |
| Total debt outstanding 1.4.2003 | 22,142,159 |
| Long term loans repaid during year | (12,609) |
| Long term loans repaid early during year | (3,000,000) |
| Total debt outstanding 31.3.2004 | 19,129,550 |

2.2 Analysis of the Councils' Loan Debt:-

| 31 st March 2003 £ | | 31 st March 2004 £ |
|----------------------------------|--|----------------------------------|
| 22,052,467 | Public Works Loan Board | 19,041,992 |
| 200 | Local Bonds | 200 |
| 82,992 | Annuity Loans | 80,858 |
| 6,500 | Temporary Loans (Repayable on Demand) | 6,500 |
| 22,142,159 | | 19,129,550 |

2.3 As can be seen from the above, the Council repaid £3,000,000 external debt early. This was done to bring our debt in line with overall liabilities, whilst reducing the current and future interest burden on the General Fund.

3. Interest Rates

3.1 The Bank Base Rate continues to be reviewed on a monthly basis by the Monetary Policy Committee (MPC) at the Bank of England. The rate started at 3.75% in April 2003 and was dropped to 3.50% from July to October the same year. This downward trend was reversed in November (back to 3.75%) and ended the year at 4.00%, with the final change, taking place in February 2004.

4. Borrowing Transactions

4.1 In order to take advantage of the opportunity to repay debt early as mentioned above (30th January 04), the Council was faced with a temporary 9-day cash flow deficit; however, this was 'covered' by borrowing £1,000,000 and paying it back on the 9th February 2004. No other new borrowing was undertaken during the financial year.

4.2 The average consolidated rate of interest on the total portfolio for 2003/04 was 6.61%.

5. Investment Transactions

5.1 When necessary, any surplus funds were invested with approved institutions for periods of up to 364 days (revised at 01/04/04, see below) in accordance with the Treasury Policy Statement. As at the 31st March 2004 sums totalling £14,100,000 were invested as set out in Appendix A.

5.2 The average rate of interest achieved when investing surplus funds during 2003/04 ranged from 3.30% to 4.70%. These rates follow the rising pattern reflected in base rates and market sentiment.

5.3 Interest earned on this surplus amounted to just under £634,000 (£540,000, 02/03) of which approximately £470,000 (£400,000 02/03) was allocated to the General Fund. With surplus cash flows maintained broadly at the levels of earlier years, the increase in interest income can be attributed to more rapid interest rate increases than anticipated, and officer reaction to volatility within the markets. Officers continually monitor rates in conjunction with our advisors and seek to make investments as these opportunities arise. In the current rising market these opportunities should be frequent, especially whilst uncertainty over timing of interest rate raises remains.

THE CURRENT YEAR

6. Outlook for Interest Rates

- 6.1 At the commencement of the financial year the Bank of England Base Rate was 4.0 %. This rate was increased to 4.25% in May, and at the time of writing there is strong expectation of a further rise in June. Our advisors anticipate further increases over the coming period, peaking at 4.75% between the winter of 2004 and the first quarter of 2006.

7. Borrowing Strategy

- 7.1 The Councils Treasury Management Strategy has always been risk adverse and this will continue to be so in the future, whilst practice is still guided under the CIPFA Treasury Management Code of Practice. Since last years' annual outturn and update report, new regulations have been brought in regarding the issue of Council borrowing and investments. In future, all Councils will have regard to the 'Prudential Code' when considering their borrowing strategy and other treasury issues, which provides a framework, based on affordability and prudence. Flexibility will continue to be the key and both the current and forecast interest rates will continue to be monitored in conjunction with our treasury management advisers, Sector. Borrowing will be taken at a time considered to give the optimum opportunity within the overall debt portfolio, ensuring that the balance of variable and fixed rate debt is appropriate, the maturity profile is acceptable and that borrowing is within the new framework.

8. Public Works Loan Board

- 8.1 The implementation of the 'Prudential Code' and a new regime of capital finance regulations have altered the capacity for the Council to borrow under a framework of affordability and prudence. This has changed the previously limiting criteria set by PWLB's quotas and all future borrowing from the PWLB will be based on the new framework parameters. The PWLB continues to be the main source of borrowing for this Council but officers have not ruled out borrowing from any other approved counterparty should this prove to be more advantageous.
- 8.2 The council has loans to the value of £1,511,000 maturing during 2004/05.

9. Borrowing Transactions

- 9.1 No long or short term borrowing has been undertaken so far during the current financial year.

10. Investment Transactions

- 10.1 As at 7th June 2004 sums totalling £19,025,000 were invested as set out in Appendix B. The Council has recently started to place investments in advance, in anticipation of future cash flow surpluses. These forward deals are limited to a maximum of two years. Appendix C details the forward-deals made so far this year.
- 10.2 The average rate of interest achieved when investing surplus funds during 2004/05 to date ranges from 4.16 to 5.40%. This income source is on target to achieve budgeted levels.

11. Changes to Treasury Management Practices

11.1 In order to adapt to the changing regulatory environment and provide a risk assessed flexibility to Treasury operations; the following changes were made to the Treasury Management Practices (TMP's) documentation, with the approval of the Head of Resources:

- To avoid restricting the Council to a few borrowers, whom may not absorb our surplus cash at a given time, the exposure limit for all our counterparties was increased to £2m from £1.5m, or 25% of our total investment portfolio, whichever is the lower.
- An online brokering service was added to our list of authorised brokers to provide another option for investing funds.
- Further changes are anticipated in the forthcoming annual review of this documentation, particularly in the area of Money Laundering. Recent accounting guidance has been issued in response to the enactment of the 'Proceeds of Crime Act 2002' and 'Money Laundering Regulations 2003', detailing the measures and actions to be taken by individuals and organisations on discovering, or suspecting, unlawful acts. Although the guidelines were not intended for direct application to officers working in the Local Authority environment, good practice cannot be ignored and these will be built into our TMP's
- Current TMP's include the capacity to employ Cash Managers who would essentially invest Council cash on our behalf for a fee. The trigger-point for embarking on these services is where the returns we get (net of the fund managers fees) are greater than the current in-house provision. Recent meetings, with cash managers and our advisors, have been conducted in an attempt to ascertain any likely benefits of going down this route. At this time no conclusions have been drawn and an open mind has been maintained as to the future direction this issue may take. The Executive will be informed of any changes implemented.

12. Effect on Corporate Priorities

12.1 Treasury Management impacts on all aspects of the Council's revenue and capital finances and therefore affects all Corporate Priorities.

13. Recommendation

13.1 The Executive is requested to note the treasury management outturn for 2003/04, and the position to date for 2004/05.

Background Papers:

Annual Investment Strategy 2004/5, Executive 11th February 2004.

Treasury Management Strategy Statement 2004/5, Executive 10th March 2004.

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Appendix A

Investments Outstanding At 31st March 2004 (In Maturity Order)

| Borrower | Amount £ | Rate of Interest % | Date of Investment | Date of Maturity |
|--------------------------------------|-------------|--------------------------|-----------------------|---------------------|
| Skipton Building Society | 1,000,000 | 4.06 | 02/03/04 | 02/04/04 |
| Newcastle Building Society | 1,500,000 | 3.77 | 01/10/03 | 07/04/04 |
| Portman Building Society | 1,000,000 | 4.03 | 17/03/04 | 19/04/04 |
| Scarborough Building Society | 1,000,000 | 4.10 | 24/03/04 | 26/04/04 |
| Scarborough Building Society | 1,000,000 | 4.16 | 25/03/04 | 26/04/04 |
| Cheshire Building Society | 1,000,000 | 3.40 | 01/05/03 | 29/04/04 |
| West Bromwich Building Society | 1,000,000 | 4.11 | 02/03/04 | 04/05/04 |
| Leeds & Holbeck Building Society | 1,000,000 | 3.98 | 05/12/03 | 05/05/04 |
| Dexia Banque Int'l a Luxembourg SA | 1,000,000 | 3.50 | 01/08/03 | 30/07/04 |
| National Australia Bank | 1,500,000 | 3.83 | 15/08/03 | 13/08/04 |
| Norddeutsche LG | 1,000,000 | 4.00 | 06/10/03 | 04/10/04 |
| Dexia Banque Int'l a Luxembourg SA | 1,000,000 | 4.55 | 05/03/04 | 04/03/05 |
| Abbey National Business Reserve | 250,000 | Variable | N/A | On Demand |
| Royal Bank of Scotland Treasury Fund | 850,000 | Variable | N/A | On Demand |
| TOTAL | 14,100,000 | | | |

Appendix B

Investments Outstanding At 7th June 2004 (In Maturity Order)

| Borrower | Amount £ | Rate of Interest % | Date of Investment | Date of Maturity |
|--------------------------------------|---------------------|-----------------------------------|-------------------------------|-----------------------------|
| West Bromwich Building Society | 1,000,000 | 4.40 | 01/06/04 | 01/07/04 |
| Portman Building Society | 1,000,000 | 4.41 | 07/06/04 | 07/07/04 |
| West Bromwich Building Society | 500,000 | 4.38 | 07/06/04 | 07/07/04 |
| Dexia Banque Int'l a Luxembourg SA | 1,000,000 | 3.5 | 01/08/03 | 30/07/04 |
| National Australia Bank | 1,500,000 | 3.83 | 15/08/03 | 13/08/04 |
| Stroud & Swindon Building Society | 2,000,000 | 4.5 | 27/05/04 | 27/08/04 |
| Leeds & Holbeck Building Society | 1,000,000 | 4.46 | 01/04/04 | 01/10/04 |
| Norddeutsche LG | 1,000,000 | 4.00 | 06/10/03 | 04/10/04 |
| Cheshire Building Society | 1,000,000 | 4.26 | 06/04/04 | 06/10/04 |
| Cheshire Building Society | 1,000,000 | 4.50 | 01/04/04 | 08/10/04 |
| Cumberland Building Society | 1,000,000 | 4.52 | 30/04/04 | 29/10/04 |
| Scarborough Building Society | 1,000,000 | 4.70 | 04/05/04 | 02/11/04 |
| Norddeutsche LG | 1,000,000 | 4.68 | 26/05/04 | 26/11/04 |
| Dexia Banque Int'l a Luxembourg SA | 1,000,000 | 4.55 | 05/03/04 | 04/03/05 |
| Newcastle Building Society | 1,000,000 | 4.74 | 15/04/04 | 14/04/05 |
| Abbey National Business Reserve | 2,000,000 | Various | N/A | On Demand |
| Royal Bank of Scotland Treasury Fund | 750,000 | Various | N/A | On Demand |
| Bank of Scotland Current Account | 300,000 | Various | N/A | On Demand |
| TOTAL | 19,025,000 | | | |

Appendix C

Forward Deals Conducted prior to 7th June 2004 (In Maturity Order)

| Borrower | Amount £ | Rate of Interest % | Date of Investment | Date of Maturity |
|---|---------------------|-----------------------------------|-------------------------------|-----------------------------|
| Stroud & Swindon Building Society | 1,000,000 | 4.90 | 15/10/04 | 14/04/05 |
| Norwich & Peterborough Building Society | 1,000,000 | 5.00 | 17/08/04 | 17/05/05 |
| Cheshire Building Society | 1,000,000 | 5.13 | 18/11/04 | 17/05/05 |
| Stroud & Swindon Building Society | 1,000,000 | 5.40 | 18/11/04 | 18/11/05 |
| Stroud & Swindon Building Society | 1,000,000 | 5.40 | 09/05/05 | 08/05/06 |
| TOTAL | 5,000,000 | | | |