

Executive – 23 June 2004

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

Officers: Mrs P James (Chief Executive), Ms S Adam (Head of Finance),
Mr C Brazier (Head of Housing), Mr P Carter (Financial Services Manager),
Mr A Gladstone-Smith (Corporate Performance Manager)
Ms L Wyatt (Employee Relations Manager) and Mr G P Dyke (Members
Services Manager).

Also Present: Councillors Lisgo, Paul, Phillips, Stuart-Thorn and Wedderkopp

(The meeting commenced at 6.15pm)

27. Apologies

Councillors Edwards and Garner.

28. Minutes

The minutes of the meeting of the Executive held on 12 May 2004 were taken as read and were signed.

29. Draft Performance Plan 2004/05

It was reported that Councils were required by legislation to produce an annual Performance Plan. Submitted details of this years draft Plan, which had previously been considered by the Review Board at it's meeting on 9th June 2004. Much of the information and data required to produce the Plan had not been available until after the year-end 31st March. It then had to be both analysed and summarised. Additionally the recent CPA inspection had had a considerable impact on the resources available to produce the Plan. As a consequence the Review Board had been unable to approve it, as the version that they had considered was not complete.

As in previous years, Council would be asked to give retrospective approval after the 30th June publication deadline.

It was intended that the Performance Plan would become the focus of the Council's improvement planning by articulating priorities for improvement including how weaknesses would be addressed, opportunities exploited and better outcomes delivered for local people. It would set targets for improved future performance.

RESOLVED that the draft Performance Plan 2004/05 be agreed and that Council be recommended to give it retrospective approval.

30. Outturn Report 2003/04

Submitted report previously circulated which set out and analysed the Council's General Fund and Housing Revenue Account outturn for 2003/04.

The General Fund Revenue outturn, showed an under spend of £240,000 (2.1%), when compared with the current budget. It was recommended that this amount be transferred to unallocated capital resources in 2004/05.

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 under spend, would be slipped to the 2004/05 year. The revised budget for 2004/05 to 2006/07 would therefore be £3,669,077. The amount of unallocated capital resources was now £1,604,691.

The Housing Revenue Account draft outturn showed a working balance carried forward into 2004/05 of £1,752,479, which was £206,314 (13%) more than predicted in the Quarter 3 budget monitoring report. Housing Revenue Account Capital expenditure amounted to £5,519,306 against a current budget of £6,056,040. This under spend would be slipped to the 2004/05 financial year.

The report contained details of the major spending and income variations.

In April 2004 it was reported that £97,000 of monies set aside for the repayment of VAT would no longer be required. The Executive had previously agreed to transfer these monies to unallocated capital resources and a Revenue Contribution to Capital Outlay had been created in 2003/04 to reflect this. However this would require the approval of a virement by Council.

The current budget required a total of £1,031,806 from the General Fund Reserve to support expenditure, the under spend shown in the report would now reduce this to £791,671. In order to increase the level of capital resources available, it was proposed that this underspend of £240,135 be transferred via the Revenue Account in 2004/05 to unallocated capital resources. This would require approval by Council of a Supplementary Estimate.

During 2003/04 with the progression of the Leisure Trust it was estimated at Quarter 3 that the Leisure 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 was that the 2003/04 budgets did not accurately reflect the business plan of the Trust and the competitive market in which the DSO was currently operating. The DSO had no remaining reserves and this loss would therefore have to be funded from the General Fund.

RESOLVED that:

- (i) the draft out turn positions on revenue and capital for both the General Fund and Housing Revenue Account for 2003/04 be noted;
- (ii) an RCCO for internal recharges be created and £25,662 charged to capital projects;
- (iii) The funding of £90,847 of the Leisure DSO deficit from the general fund be agreed.
- (iv) Council be recommended that £97,000 of monies previously set aside for the repayment of VAT be vired to unallocated Capital Resources;
- (v) Council be recommended that a Supplementary Estimate be made in 2004/05 of an RCCO for the 2003/04 General Fund under spend of £240,135.

31. Treasury Management Update

Submitted report previously circulated 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.

It was noted that external debt had been reduced by over £3 million during 2003/04. Interest rates had followed an upward trend and investment income was up on the previous year.

Future interest rates were expected to rise peaking at around 4.75% during 2004, 2005 and 2006. New regulations and a requirement to adhere to the Prudential Code had given the Council greater flexibility in its borrowing strategy and investments. Cash flow surpluses had remained largely static, though interest rate trends suggested greater than budgeted investment income. Treasury Management Practices documentation had been altered to increase flexibility and effectiveness of day-to-day treasury operations.

RESOLVED that the Treasury Management outturn for 2003/04 and the position to date for 2004/05 be noted.

32. Exclusion of Press and Public

RESOLVED that the press and public be excluded from the meeting for the item numbered 7 on the agenda because of the likelihood that exempt information would otherwise be disclosed relating to clause 7 of schedule 12(a) of the Local Government Act 1972.

33. Establishment of a Leisure Trust – Tone Leisure (South West) Limited

Submitted report, previously circulated, which recommended the transfer of the Councils' leisure facilities and its health and sport development services to Tone Leisure (South West) Limited. It revisited the issues outlined in the report submitted to the Executive on 22nd December 2003, when the decision was made to defer transfer for a period of six months.

In October 2002 the Council had approved in principle the establishment of a Leisure Trust to operate its leisure centres, development services and Vivary Park Golf Course. However there were a number of outstanding issues at that time and it was subsequently agreed to defer the decision for six months. Details were submitted of the progress that had been made on the issues that had led to the decision to defer the Leisure Trust six months previously.

The formation of a Leisure Trust would allow the Council to generate tax based savings through reduced NNDR costs and through an improved VAT recovery regime, which the Trust was able to take advantage of. Further details of the financial issues surrounding this proposal were also submitted.

The Councils consultants, Strategic Leisure Limited, had been involved in this project since its inception and submitted their objective assessment on the proposed transfer. Strategic Leisure believed that sufficient progress had been made on the unresolved items to unequivocally recommend that the transfer should proceed.

Now that the majority of outstanding issues had either been resolved or were likely to be resolved in the near future, the point had been reached where a transfer could be recommended. It was recognised that the Council must continue to develop its leisure strategy and its ability to monitor the financial and operational efficacy of the Trust to ensure its corporate vision and desired outcomes for the service are delivered. Equally this would require that the Council allocated sufficient revenue and capital support to ensure the Trust remained viable subject to it meeting the agreed targets.

It was felt that the Leisure Trust remained the best value method of service delivery and the last six months of negotiation, especially around the leases, pensions and service review, had significantly reduced the risks to the authority.

RESOLVED that Council be recommended that:

- (i) its leisure facilities and its health and sport development services be transferred to Tone Leisure (South West) Limited on the terms described in the report and as set out in the associated documentation;
- (ii) the level of deficit funding required for Tone Leisure to operate the services (excluding Blackbrook) for the first 8 months at £452,000 be agreed;
- (iii) Standing Orders be suspended to enable it to enter into an 8 month management contract with Tone Leisure in relation to Blackbrook and that the management fee for the first 8 months be £535,000. The income from this arrangement to be returned to the Councils General Fund budget;
- (iv) Somerset County Council be provided with a Pensions Guarantee;
- (v) the residual savings, including reduced costs, NNDR and an improved VAT recovery regime, generated by the formation of the Trust be ring fenced for reinvestment in the facilities managed by the Trust;
- (vi) an interest free loan of £50,000 be made to Tone Leisure, subject to the loan being repaid over the following 6 years with the first payment taking place in August 2006.
- (vii) the appropriate officers be thanked for their hard work in reaching this position and the Health and Leisure Review Panel be thanked for its constructive contribution to the process.

(The meeting ended at 7.42pm)