
Meeting: Executive
Date: 21 July 2009
Subject: Mid Bedfordshire Financial Outturn 2008/09
Report of: Portfolio Holder for Corporate Resources
Summary: This report:

Informs the Executive of the anticipated outturns for the following for 2008/09:

- Mid Bedfordshire District Council General Fund
- Mid Bedfordshire District Council Capital Programme
- Transition Costs associated with implementing Central Bedfordshire Council.

Requests approval for the capital funding of ICT capital expenditure associated with implementing Central Bedfordshire Council;

Requests approval for the financing of Mid Bedfordshire District Council's Capital Programme for 2008/09;

Requests approval for the set-aside of Mid Bedfordshire District Council usable capital receipts in the 2008/09 Mid Bedfordshire District Council Statement of Accounts.

Reports on the Treasury Management activity and performance for Mid Bedfordshire District Council for 2008/09.

Advising Officer: Clive Heaphy, Director of Corporate Resources
Contact Officer: Brian Mew, Corporate Finance
Public/Exempt: Public
Wards Affected: All
Function of: Executive
Key Decision Yes
**Reason for urgency/
Exemption from call-in
(if appropriate)** N/A

RECOMMENDATIONS:

- 1. That the Executive consider the General Fund Revenue Outturn Report 2008/09 for Mid Bedfordshire District Council, and the variance analysis attached as Appendix A.**
- 2. That the Executive approve the Mid Bedfordshire District Council Reserves and Provisions as at 31 March 2009 attached as Appendix B.**
- 3. That the Executive consider the Capital Programme outturn for 2008/09 for Mid Bedfordshire District Council attached as Appendix C.**
- 4. That the Executive approves funding of £3,671,148 from Mid Bedfordshire usable capital receipts in respect of ICT capital expenditure associated with implementing Central Bedfordshire Council.**
- 5. That the Executive approves the financing of the Mid Bedfordshire District Council Capital Programme for 2008/09 as outlined paragraph 4.3.**
- 6. That the Executive note the Capital Programme schemes that have slipped from 2008/09, amounting to £707,294. These schemes are referred to in paragraph 4.4 and detailed in Appendix C, and will be considered further when the Executive considers revisions to the 2009/10 Capital Programme.**
- 7. That the Executive approves the set-aside of £23 million of Mid Bedfordshire District Council usable capital receipts in the 2008/09 Mid Bedfordshire District Council Statement of Accounts.**
- 8. That the Executive consider the Treasury Management Report 2008/09 for Mid Bedfordshire District Council attached as Appendix F.**

Reason for Recommendations: To report on the Revenue and Capital Outturn positions to facilitate the closure of the District Council's accounts. To optimise the medium-term revenue position of Central Bedfordshire Council by capital financing of ICT capital transition costs where appropriate, and by setting aside capital receipts so as to reduce the Minimum Revenue Provision (MRP) liability of the Council. To meet the requirements of the Council's Treasury Management Strategy and the CIPFA Code of Practice on Treasury Management in the Public Sector.

1. Background

- 1.1 The closing of the District Council's Accounts for 2008/2009 is now nearing completion. The closure process is particularly challenging this year as a result of the reorganisation. Consequently, the figures in this report should be regarded as provisional in nature. Material change is not anticipated but the Executive is asked that approval of any further changes be delegated to the Director of Corporate Resources in consultation with the Portfolio Holder for Corporate Resources before the Statement of Accounts are finalised.

- 1.2 Draft Statements of Accounts for 2008/09 will be submitted to the Audit Committee on 27 July 2009 for approval in accordance with the Accounts and Audit Regulations 2003, and in accordance with the Statutory Instrument that enables the accounts of abolished authorities to be approved by an appropriate committee of the successor authority by 31 July 2009, rather than the usual date of 30 June. The Audit Committee will also consider the accounts of Bedfordshire County Council and South Bedfordshire District Council at that meeting. The draft Financial Outturn positions for these councils are the subject of separate reports on this agenda.
- 1.3 The Audit Commission is the external auditor for all three demised authorities, and as such, will audit the accounts during July and August 2009. A view on these accounts will be expressed to the Audit Committee in September 2009.

2. General Fund Revenue Outturn 2008/09

- 2.1 A summary of the anticipated General Fund Revenue Outturn position for Mid Bedfordshire District Council is shown below. Appendix A provides a brief summary of the main variances.

	Original Budget £000	Outturn £000	Variance £000
Direct Service Summary			
Environmental Services	4,798	4,885	87
Democratic & Legal	-40	80	120
Community Services, Leisure, & Tourism	1,860	1,566	-294
Finance & Property Division	-163	-87	76
Planning Division	2,650	2,796	146
Revenues & Benefits	745	845	100
Central / Corporate Services	1,041	985	-56
Sub Total	10,891	11,070	179
Holding Accounts Summary			
Strategic Management	414	409	-5
IT Services	2,284	2,160	-124
Environmental Services	1,652	1,645	-7
Finance & Property Division	881	802	-79
Democratic & Legal	1,012	955	-57
Community Services, Leisure, & Tourism	156	366	210
Policy & Performance & Improvement	440	352	-88
Sub Total	6,839	6,688	-151
Net Service Expenditure	17,730	17,758	28
Investment Income	-2,910	-3,014	-104

Net General Fund Spending	14,820	14,744	-76
Less: Government Grant	-8,842	-8,856	-14
Contribution from(-)/to General Fund Balance	-423	-347	76
Contribution from(-)/to funds	-62	-48	14
Council Tax Income	5,493	5,493	0

2.2 The summary shown above does not include entries relating to impairment of the value of the Council's assets, which do not affect the net expenditure of the General Fund. Overall, the variance shown above amounts to around 0.5% of the revised General Fund net expenditure estimate.

2.3 The General Fund balance is subject to a number of movements between funds in addition to the use of balances to support the revenue position as shown above, primarily movements between this balance and the Council's other working balances. The overall summary position in respect of the Council's main working balances shown below indicates an overall increase in the balances position of around £299,000 compared with the opening position for 2008/09.

Balances	Balance 1April 2008 £000	Balance 31March 2008 £000	Variance £000
General Fund	-4,606	-3,680	926
Housing Benefit Equalisation	-750	-1,438	-688
Interest Equalisation	-750	-1,287	-537
Total	-6,106	-6,405	-299

2.4 The General Fund balance position shown above does not take into account the allocation of any transition costs associated with establishing Central Bedfordshire in 2008/09.

2.5 The summary position in respect of Earmarked Reserves and Provisions for 2008/09 is attached as Appendix B.

3. Central Bedfordshire Council – Transition Costs Outturn Position 2008/09

3.1 Transition Costs

Transition costs have primarily been incurred and controlled by Mid Bedfordshire DC, although a significant amount of costs, primarily redundancy costs, have initially been incurred by South Bedfordshire. These costs will need to be pooled, allocated to each of the demised authorities and shown in each of their Statements of Accounts. These costs will be allocated in proportion to the three authorities' 2008/09 precepts. The actual process of allocating Transition Costs to the demised authorities is being undertaken minimising unnecessary inter-authority transactions and cash movements and will be reported as part of the process of approval of the Accounts.

3.2 Expenditure against the budget was reported to the Executive as part of the monthly Implementation Progress reports. Transitional costs for establishing Central Bedfordshire are budgeted to be met by way of the temporary use of revenue reserves, with these reserves being reinstated over a payback period of 4 years.

3.3 The current summary position for transition costs incurred with redundancy and early retirement costs shown separately) and their allocation for 2008/09 is shown below:

Transition Costs 2008/09	Redundancy / Early Retirement £000	Mid Bedfordshire DC £000	South Bedfordshire DC £000	Bedfordshire CC £000	Total £000
Incurred	5,355	5,982	401	0	11,738
Allocation		552	681	10,505	11,738
Precept %		4.7%	5.8%	89.5%	100.0%

3.4 The level of transition costs actually reflected in the 2008/09 accounts is higher than indicated when the 2009/10 budget was set for Central Bedfordshire because accounting requirements have meant that redundancy and retirement costs have had to be accounted for in the year that the decision was made, i.e. 2008/09. At the time the budget was set, it was anticipated that these costs would largely be accounted for in 2009/10. The important consideration regarding transition costs is the overall quantum, rather than which of the two financial years the costs fall into. The overall and forecast position on transition costs will be reported separately to the Executive.

4. Capital Programme Outturn 2008/09

- 4.1 The Capital Programme Outturn position for Mid Bedfordshire District Council is summarised below, and is shown in more detail in Appendix C.

	2008/09 Budget £'000	2008/09 Actual £'000	2008/09 Variance £'000	2008/09 Slippage £000
<u>Capital Programme Summary</u>				
Environmental & Planning Services	3,698	2,979	-719	564
Leisure & Community Services	15,817	447	-15,370	73
Finance & Property Services	135	10	-125	0
Deputy Chief Executive	324	229	-95	0
Corporate & Democratic Services	5	0	-5	0
Customer Services	1,139	800	-339	70
ICT Implementation	0	3,671	3,671	0
Total Capital Programme	<u>21,118</u>	<u>8,136</u>	<u>-12,982</u>	<u>707</u>

- 4.2 Appendix D outlines the position on ICT capital costs associated with implementing Central Bedfordshire Council. It is recommended in this report that these costs be funded from usable Mid Bedfordshire District Council capital receipts.

- 4.3 The proposed sources of financing the Capital Programme of Mid Bedfordshire District Council for 2008/09 are shown below:

Source	Amount £'000
Government Grants	726
Usable Capital Receipts	7,397
Revenue contributions	0
Borrowing	0
Reserves	0
Other Contributions	13
Total Capital Expenditure 2008/09	8,136

- 4.4 In recommendation 6 of this report, the Executive are asked to note the schemes that have slipped from 2008/09, amounting to £707,294. More details on significant areas of slippage and variance will be available at the meeting if required. Slippage on these schemes, and the overall capital programme position, will be considered further when the Executive considers revisions to the 2009/10 Capital Programme. The figure identified as slippage is not the total amount of the variance as some slippage and re-phasing were already allowed for when the 2009/10 Capital Programme was approved.
- 4.5 Appendix E outlines a proposal for the set aside of a proportion of Mid Bedfordshire District Council usable capital receipts in the 2008/09 Mid Bedfordshire District Council Statement of Accounts, so as to reduce the Minimum Revenue Provision (MRP) liability of Central Bedfordshire Council in 2009/10 and subsequent years. The Council's revenue budget for 2009/10 has assumed that this proposal will be approved.

5. Treasury Management Report 2008/09

- 5.1 Central Bedfordshire Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services, one of the requirements of which is the receipt by the Executive of an Annual Review Report after the financial year-end. Appendix F reports on the Treasury Management activity and performance for Mid Bedfordshire District Council for 2008/09. The paragraphs shown below provide a summary of the key elements of this report.

5.2 Investment Outturn

The Council held average monthly cash balances of just over £45.2m during the year. These represent working cash balances / capital receipts and the Council's reserves. The Council's investment income for the year was £3.014m compared to a budget of £2.910m, and the variance is principally due to average investment balances held during the financial year being higher than originally budgeted and money market rates of interest being initially higher than forecast for the first part of the year. However, this was balanced out by the rapid reduction in rates in the second half of the year, combined with the very low rates of interest obtained as a result of the need to prioritise security.

Overall, the returns on the Council's Investments achieved in 2008/09 were as follows:

Return on investments managed in-house	5.53%
Return on investments managed by Investec	5.43%
Lime Property Fund (after fees)	4.32%

5.3 Investment Strategy

From November 2007 onwards, the Council's investment activities were restricted as a consequence of the crisis in financial markets. The Council applied a higher minimum credit criteria for its investments. In doing so, the Council demonstrated its adherence to the overriding principles of security and liquidity which are cornerstone of its investment policy and objective.

During September and October 2008 when confidence in the markets was extremely fragile and counterparty risk at its height, the Council responded by placing new and maturing investments with the Debt Management Agency Deposit Facility (guaranteed by HM Treasury).

Thereafter the Council restricted new lending to UK institutions which could avail of the Government's 2008 Credit Guarantee Scheme (CGS*) and with long-term ratings in the 'double-A' category. The institutions meeting these criteria were: Abbey National, Barclays Bank, Clydesdale Bank, HSBC Bank, Lloyds TSB Bank and Bank of Scotland (both part of the Lloyds Banking Group), Nationwide Building Society and Royal Bank of Scotland,

An analysis of the Council's investment portfolio as at 31 March 2009 compared with 1 April 2008 is shown below:

Investments	Balance as at 1 April 2008 £m	% of Portfolio	Balance as at 31 March 2009 £m	% of Portfolio
Internally managed investments (short-term)	18.7	47.8%	23.5	70.1%
Longer-term investments				
Deposits with maturities greater than 1 year	10.0	25.6%	0.0	0.0%
Lime Property Fund	5.1	13.0%	4.3	12.8%
Funds Managed Externally on segregated basis:				
Investec	5.3	13.6%	5.7	17.1%
Total Investments	39.1	100.0%	33.5	100.0%

5.4 Treasury Limits and Prudential Code Indicators.

The Council implemented its treasury strategy within the limits and parameters set in its treasury policy statement and Prudential Indicators against the prevailing market conditions. Appendix F3 reports on compliance with the Prudential Indicators for 2008/09 in detail. The Council complied with all Treasury Limits and Prudential Code Indicators during the year.

CORPORATE IMPLICATIONS

Council Priorities:

The Outturn positions of the demised authorities provide the starting point for the robust financial standing and sound financial management of the new authority, which are essential to the Council delivering its initial corporate objectives and priorities:

- (i) Supporting and caring for an ageing population
- (ii) Educating, protecting and providing opportunities for children and young people
- (iii) Managing growth effectively
- (iv) Creating safer communities
- (v) Promoting healthier lifestyles

Financial:

The Recommendations are intended to optimise the medium-term revenue position of Central Bedfordshire Council by capital financing of ICT capital transition costs where appropriate, and by setting aside capital receipts so as to reduce the Minimum Revenue Provision (MRP) liability of the Council. Capital financing of ICT capital transition costs will assist the Council's financial position by ensuring that the Council maintains a more sustainable level of reserves in the short to medium-term. The set aside of capital receipts will reduce the MRP provision in the General Fund revenue account by around £900,000 per annum which will assist the revenue position. However, these receipts will no longer be available for financing new capital expenditure, and alternative resources will ultimately need to be found to progress the Council's Capital Programme.

The debt and investment positions inherited from the demised authorities have a direct impact on the financial position of the new Council for 2009/10. Expenditure and income associated with these inherited Treasury Management positions have been built into the 2009/10 revenue budget.

Legal:

None

Risk Management:

None

Staffing (including Trades Unions):

None

Equalities/Human Rights:

None

Community Development/Safety:

None

Sustainability:

None

Appendices:

Appendix A - Mid Bedfordshire District Council General Fund Variance Analysis

Appendix B – Mid Bedfordshire District Council Earmarked Reserves 2008/09

Appendix C - Mid Bedfordshire District Council Capital Programme Outturn 2008/09

Appendix D – Capital Financing of Central Bedfordshire ICT Transition Costs

Appendix E – Set Aside of Mid Bedfordshire District Council Capital Receipts

Appendix F – Treasury Management Report 2008/09 – Mid Bedfordshire District Council

Appendix F1 – Money Market Rates, Gilt Yields, and PWLB Borrowing Rates

Appendix F2 - Mid Bedfordshire District Council Specified and Non-Specified Investments

Appendix F3 - Mid Bedfordshire District Council Compliance with Prudential Indicators 2008/09

Background Papers (open to public inspection):

Location of papers: Priory House, Chicksands