

STATEMENT OF ACCOUNTS 2008/2009

Report by the Head of Resources

Resources Portfolio – Councillor Briggs (Leader)

Key Decision: No

1.0 PURPOSE OF REPORT

To enable the Committee to approve the Council's Statement of Accounts for 2008/2009. [Note: The Statement of Accounts 2008/2009 has been circulated to the Committee separately from the agenda – will Committee Members please bring this to the meeting]

2.0 RECOMMENDATION

That the Committee approve the Statement of Accounts for 2008/2009 and authorise the Chairman to sign and date the accounts.

3.0 SUMMARY

The Council's Statement of Accounts must be approved by 30 June 2009. The date by which the Statement must be approved has been brought forward by government by stages in recent years to 30 June. The Council has delegated this function to the Standards Committee. It is a requirement that the person presiding at the meeting approving the accounts shall sign and date the Statement of Accounts.

This function is not one which would result in any special liabilities upon members of the Committee; the Head of Resources is not aware of any occasion where the approving body for this Council has made any amendments to the Council's accounts or that any issues have subsequently emerged in relation to the approval. The process formally identifies and approves the set of accounts which will be audited and published in due course.

Preparation of the formal accounts must follow national accounting formats. The Accounts and Audit Regulations require the Chief Financial Officer to first sign the accounts and certify that they present fairly the financial position of the Council at the end of the year to which it relates and its income and expenditure for that year. The Accounts also have to include an Annual Governance Statement signed by the Leader of the Council and the Chief Executive.

The Accounts and Audit Regulations also include many requirements about financial administration including a requirement to maintain an adequate and

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effective system of internal audit of its accounting records and systems of internal control. Implementing these other requirements is the responsibility of the Council, and not the responsibility of the Standards Committee.

Formal approval of the accounts occurs prior to the completion of the external audit of the Council's accounts by the external auditors appointed by the Audit Commission. The date by which the Council's accounts for 2008/2009 must be published is 30 September 2009. Members of the public are given the opportunity through a newspaper advertisement to make representations regarding the Accounts to the Council or the External Auditor. If the Council's External Auditor raises matters in relation to the approved accounts which could require the accounts to be amended this must be reported back to the body that approved the accounts. The final published statement of accounts includes a signed opinion from the External Auditors as to whether the Statement of Accounts presents fairly the financial position of the Council and its income and expenditure.

This Committee will be informed of the results of the External Audit in due course.

A brief summary of the accounts and the full accounts will be made available on the internet.

4.0 FURTHER INFORMATION

None.

5.0 IMPLICATIONS

Financial

The financial implications of the out-turn are set out in the Out-turn report in the Appendix

Legal

None directly from this report.

Strategy (Community and Corporate)

Prompt closure of the accounts assists the Council in taking forward its strategies.

Equalities/Customers

None directly from this report. The accounts would be made available in special formats if required and will be available on the web-site.

Risk

If the Committee does not approve the accounts the Council might not meet the statutory deadline of 30 June.

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Communications/Public Relations

None directly from this report.

Appendices:

Statement of Accounts	This has been distributed separately to all members of the Committee – please bring your copy to the meeting.
APPENDIX 1	Detailed report on the out-turn
APPENDIX 2	Changes to the General Fund Balance already reflected in February 2009 budgetary control report
APPENDIX 3	Treasury Management Annual Report 2008/2009
APPENDIX 4	Prudential Indicators 2008/2009

Background papers: None

Consultation and sign off:

Solicitor to the Council (Paul Griffith) – 11 June 2009
Head of Resources (Nigel Smith) – 11 June 2009

Contact Officer: Keith Price – Finance Manager
or Nigel Smith – Head of Resources

APPENDIX 1OUT-TURN 2008/2009

Report of the Head of Resources

1.0 Introduction

- 1.1 The accounts for the year ended 31st March, 2009 have been completed, subject to audit, and this report sets out a summary of the out-turn. The full Statement of Accounts for 2008/2009 will be published later in the year following the audit of accounts by the Council's external auditors, District Audit.
- 1.2 **Appendix 3** to this report is the Treasury Management Annual Report for 2008/2009 setting out the position regarding borrowing and investments in that year. **Appendix 4** reports the actual Prudential Indicators for 2008/2009 as set against the indicators agreed by the Council in February 2008.

2.0 Revenue Out-Turn

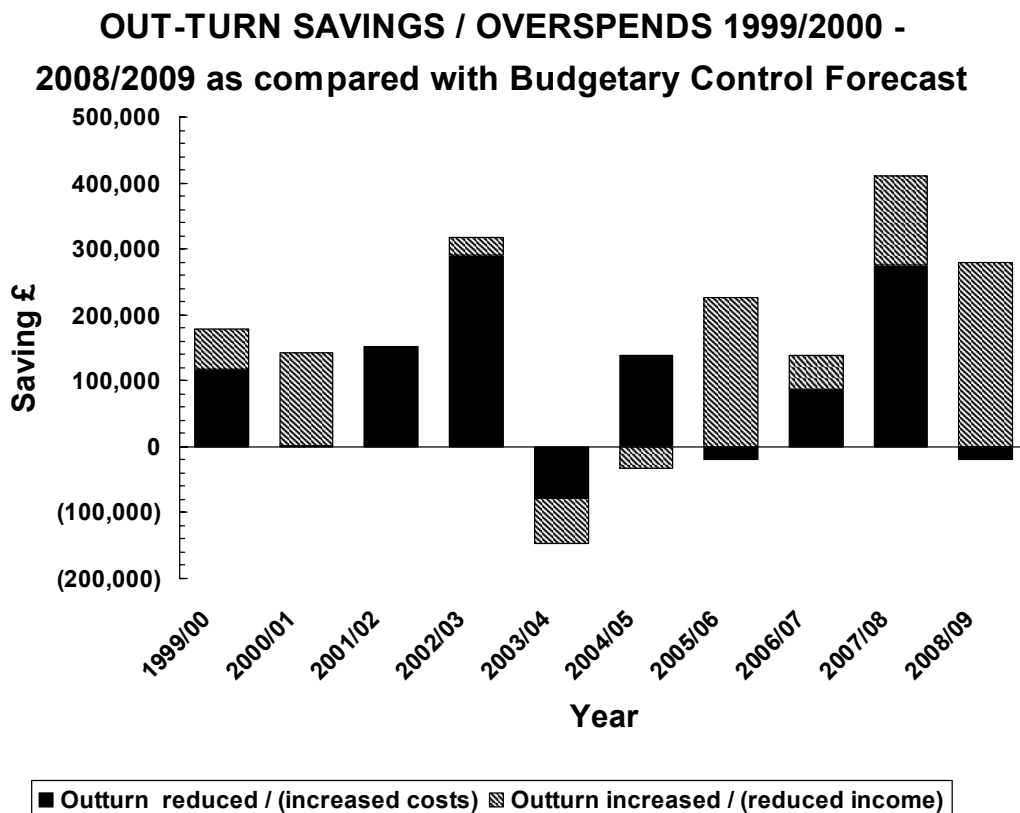
- 2.1 The year end general fund balance, net of budget carryovers of £327,000, at 31st March 2009 is **£1,260,000**. This is accordance with that required under the medium term financial strategy i.e. 7% of the Council's net budget.
- 2.2 Para 2.7 provides a detailed analysis of the variations giving rise to this outturn position.
- 2.3 Under Financial Regulation A.20 the Head of Resources can approve the carry-forward of planned over or under-spending to the following financial year or, exceptionally, the bringing forward of budgets to the previous financial year.

The table below shows the level of carry-forwards in recent years:-

	Brought Forwards	Carry Forwards	Net
	£	£	£
2008/2009	6,700	333,700	327,000
2007/2008	0	585,000	585,000
2006/2007	0	520,000	520,000
2005/2006	0	253,600	253,600
2004/2005	0	186,000	186,000
2003/2004	0	308,600	308,600
2002/2003	0	184,100	184,100
2001/2002	54,300	164,300	110,000
2000/2001	8,500	207,450	198,950
1999/2000	1,100	469,900	468,800
1998/1999	101,200	785,900	684,700

- 2.4 The approved 2008/2009 carryforwards were £18,400 below the Council's agreed strategic maximum carry-over level of £352,100.

2.5 The following graph summarises out-turn savings / overspend in the last 10 years:-



The savings/increased costs above are calculated from a comparison between the last budgetary control report for the year and the out-turn, thus giving a measure of budgetary control performance. In 2008/2009 there was an outturn saving of £261,000 compared with the February budgetary control report, of this £208,000 was due to recognising recycling income from the Materials Recycling Facility on an accruals basis within the accounts.

2.6 In accordance with Council policy a sum of £445,000 was transferred to the Capital Reserve. This amount is the excess amount available at the year end above that required in the general fund balance under the medium term financial strategy as set out in para 2.1 above.

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2.7 The out-turn balance is calculated as follows:-

	£ 000's
General Fund Balance (excluding carry-forwards) at 1/4/2008	1,358
See Appendix 2 for changes to the general fund balance already reflected in the February budgetary control report	409
Changes compared with February Budgetary Control Report	
<u>Reduced/(Increased) Expenditure</u>	
Net cost of Housing Benefits	(108)
Additional bad debt provision for Housing Benefit Debt	(105)
Net cost of Council Tax Benefits	(13)
Consultancy costs - Corporate Priorities	34
Net cost Staff Canteen and Catering costs	(26)
Building Maintenance incl. Large Building Repair Schemes	35
Concessionary Travel Scheme costs	(15)
Cost of Elections and Registration of Electors	16
Employees - across all Groups	55
Parks - fencing works	(27)
Vehicle and Plant costs - mainly additional fuel costs	(22)
CCTV expenditure	14
Cost of Implementing Garden Waste Collection Service	22
Forward Planning	28
Funding of overview and scrutiny boards	10
Printing Stationery and Postages	13
ICT expenditure	17
Utility Costs	(16)
Net cost Enabling and Homelessness	(20)
Property Consultancy (including Leisure Centres)	19
Resurfacing Ferry Road Car Park	10
All other expenditure variations	62
Increased expenditure	(17)
<u>(Reduced)/Increased Income</u>	
Area Based Grants	48
Property Income greater than anticipated	20
Cemeteries Income	23
Reduction in Planning Applications Income	(50)
Recycling - recognition of MRF income on an accruals basis	208
Reduction in Development Control Income	(19)
All other income variations	48
Increased Income	278
Transfer to Capital Reserve	(445)
Transfer to earmarked reserve for one off revenue costs of 2009/2010 capital programme and 2009/2010 Corporate Priorities	(323)
General Fund Balance (excluding carryforwards) at 31st March 2009	1,260
Strategic Balance Required	1,260
General Fund Balance below strategic level	0

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Some of the above out-turn changes have no ongoing effect on the budget but all will be reviewed during the year and as part of the 2009/2010 budget process. However, income is being affected by the current economic downturn and this has to an extent been taken into account in the 2009/2010 budgets.

3.0 Reserves

3.1 Reserve balances at 31st March, 2009 are as follows:-

Reserve	Balance at 31st March 2008 £ 000's	Transfers to/(from) £ 000's	Balance at 31st March 2009 £ 000's
General Reserve			
General Fund (excluding carry overs & brought forwards)	<u>1,358</u>	<u>(98)</u>	<u>1,260</u>
Specific Revenue Purposes			
Insurance Fund (for risks borne internally instead of insuring)	477	58	535
Planning Reserve (Planning Delivery Grant)	436	(31)	405
General Fund - carryovers	585	(258)	327
General Fund - set up costs Garden Waste Collection	48	(48)	-
General Fund - Corporate Projects and one off costs on 2009/2010 Capital Programme	-	323	323
Local Authorities Business Growth Initiative	-	482	482
Total Specific Reserves:-	<u>1,546</u>	<u>526</u>	<u>2,072</u>
Capital Reserves			
Capital Reserve	331	364	695
Asset Acquisition Reserve	1,931	(1)	1,930
Capital Receipts - reserved for Asset Acquisition	125	0	125
Capital Receipts	1,094	(624)	470
Total Capital Reserves:-	<u>3,965</u>	<u>(261)</u>	<u>3,220</u>
Developers Contributions	<u>1,179</u>	<u>-7</u>	<u>1,172</u>

* As agreed in the 2009/2010 budget report.

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4.0 Capital Spending

4.1 Actual capital spending against the approved schemes was:-

Capital Spending 2008/2009	Total approved schemes £000's	February 2009 Budgetary Control Report £ 000's	Actual £ 000's	Reduced cash-flow compared with February 2009 Budgetary Control Report £ 000's
General Fund	4,528	4,528	3,440	1,088
Disabled Facilities Grants	1,250	1,250	946	304
Total	5,778	5,778	4,386	1,392

The total value of approved capital carry-overs was £1.28 million compared with £0.795 million estimated in the February 2009 Budgetary control report. The reduced cash flow compared with the February Budgetary Control Report for General Fund Schemes is primarily due to Liveability Schemes £104,000, ICT/Business Transformation projects £60,100, Vehicle acquisitions and Beach Nourishment – Eastoke £65,600.

5.0 Collection Fund/Debtors to the Council

5.1 There was a loss on the Council Tax part of the Collection Fund of £11,000 compared with the break even position estimated. The difference (arising from variations in liabilities, exemptions and discounts) will be taken into account when calculating the estimated balance at 31st March 2010 for Council Tax setting.

5.2 Arrears of Community Charge/Council Tax etc. (including costs) and the bad debt provisions as revised at March 2009 were:-

Gross Debtors Outstanding 31st March, 2009	Arrears 31/3/2009 £ 000's	Provision for Doubtful Debts £ 000's	Arrears for which no provision has been made 31/3/2009 £ 000's	Arrears for which no provision has been made 31/3/2008 £ 000's
Council Tax	3,398	1,709	1,689	2,016
Non Domestic Rates	476	238	238	251
Total Local Taxation	3,874	1,947	1,927	2,267
Housing Benefits	1,002	557	445	478
Sundry Debtors - outstanding over 35 days	138	66	72	112
Total Sundry and Benefit Debtors	1,140	623	517	590

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The Council Tax increase payable by residents in 2008/2009 was 4.9%. Some of the Housing Benefits debts are being paid by deduction from future benefits.

6.0 **Treasury Management**

- 6.1 The Treasury Management Annual Report for 2008/2009 is shown in Appendix 3.

Head of Resources
18 June, 2009

[Author: Keith Price Ext 6304]

APPENDIX 2
CHANGES TO THE GENERAL FUND BALANCE ALREADY REFLECTED IN THE
FEBRUARY 2009 BUDGETARY CONTROL REPORT

<u>Changes reported 2008/09</u>	Amount	Amount
	£	£
Reduced / (Increased) Expenditure		
National Concessionary Travel Scheme	412,600	
Reduced Net Cost of Housing Benefit Subsidy	88,900	
Various property services changes	49,700	
All other approved changes	34,600	
Regeneration travelling & subsistence costs	13,300	
Pride of Place closed	13,000	
Salaries across all Services	(112,200)	
Various Client Revenue budget changes	(56,900)	
SSSP consultancy costs	(40,000)	
Audit Commission Fees	(26,400)	
Resurfacing Ferry Road car park	(25,000)	
Replacement programme - notice boards	(15,000)	
Vehicle Lease termination costs	(12,400)	
Grant to Acorn Centre (Executive 22/2/09)	(10,000)	
Reduced / (Increased) Income		314,200
Additional interest earned	359,900	
Additional Income - Materials Recycling Facility	35,800	
Additional Licensing Income	27,200	
Additional Income from secondment of staff	11,800	
Additional Income - Beach Huts	11,600	
Reduced Income - Development Control	(152,000)	
Reduced Income - Car Parks	(89,900)	
Reduced Income - Local Land Charges	(64,000)	
Reduced Income - Building Control	(29,000)	
Reduced Income - HCC Agency	(27,800)	
		83,600
Budgeted Contribution to General Fund		11,200
Total approved changes to General Fund Balance		<u>409,000</u>

APPENDIX 3

TREASURY MANAGEMENT - ANNUAL REPORT 2008/2009

1.0 Introduction

- 1.1 Financial Regulations require that reports are presented regarding the Council's treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close.
- 1.2 The Council has adopted the "Code of Practice for Treasury Management in Local Authorities" (as revised in 2001). Surplus funds were being invested in accordance with the requirements of the Treasury Policy Statement and Strategy as revised in February, 2008 which required investment in particular organisations with very high credit ratings. Treasury Management Practices (TMPs) have been developed as required by the Code. The detailed Treasury Management strategy in accordance with the policies agreed by the Council was considered at weekly meetings of the Finance staff involved in borrowing and investment activities.
- 1.3 The Council's Treasury Consultants for the period were Sector Treasury Services Limited (part of the Capita Group).
- 1.4 The collapse of the Icelandic banks in October 2008 highlighted the large sums of public money on deposit within financial institutions outside as well as inside the UK. A number of UK local authorities had investments in Icelandic banks which are at risk of non repayment, either in whole or in part.
- 1.5 Havant Borough Council did not have any Icelandic banks on its approved lending list and as such have no exposure in relation to these banks. However, the rapidly changing global financial environment has necessitated a range of actions, including the regular and continuous review of treasury management arrangements in order to seek to safeguard council funds available for placing on deposit.

2.0 Report for the year ended 31st March, 2009

- 2.1 The Council's Treasury Policy Statement was fully complied with during the year. All investments in the year were in highly rated institutions in the Treasury Policy.
- 2.2 The Council was a net investor of funds in 2008/2009. The only borrowing in 2008/2009 was for temporary borrowing for short periods to meet cash flow needs.
- 2.3 In accordance with the strategy agreed at the start of the year investment was

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carried out on a short term basis i.e. less than one year.

2.4 Total external borrowing and investments have been as follows¹:-

Total External Borrowing and Investments	31 March 2004	31 March 2005	31 March 2006	31 March 2007	31 March 2008	31 March 2009
	£ million	£ million	£ million	£ million	£ million	£ million
Total Debt	1.00	-	-	-	-	-
Total Investments	4.80	1.75	5.05	3.00	5.03	3.52
NET INVESTMENT	<u>3.80</u>	<u>1.75</u>	<u>5.05</u>	<u>3.00</u>	<u>5.03</u>	<u>3.52</u>

2.5 During the year 2008/2009 there were 163 (125 in 2007/2008) investments made, mostly for periods of less than one month. In accordance with the Council's policy to invest only in institutions of high credit rating set out in the Treasury Management Policy these investments can be summarised as follows:-

	2004/05	2005/06	2006/07	2007/08	2008/09
Other Local Authorities	12	-	-	1	-
Banks and Building Societies	64	40	55	58	51
High Interest Earning Deposit Account	n/a	86	76	66	112

2.6 A summary of interest rates during the year is as follows:-

Shorter-term interest rates – The Council's investment income is subject to changes in short term interest rates. The level of the Bank of England Base Rate is one of the main determinants of the rate of interest the Council receives on its short term investments.

During 2008/2009 the Bank of England Base Rate moved as follows:

01/04/08	10/04/08	8/10/08	6/11/08	4/12/08	8/01/09	5/02/09	5/03/09
5%	5%	4.5%	3.0%	2.0%	1.5%	1.0%	0.5%

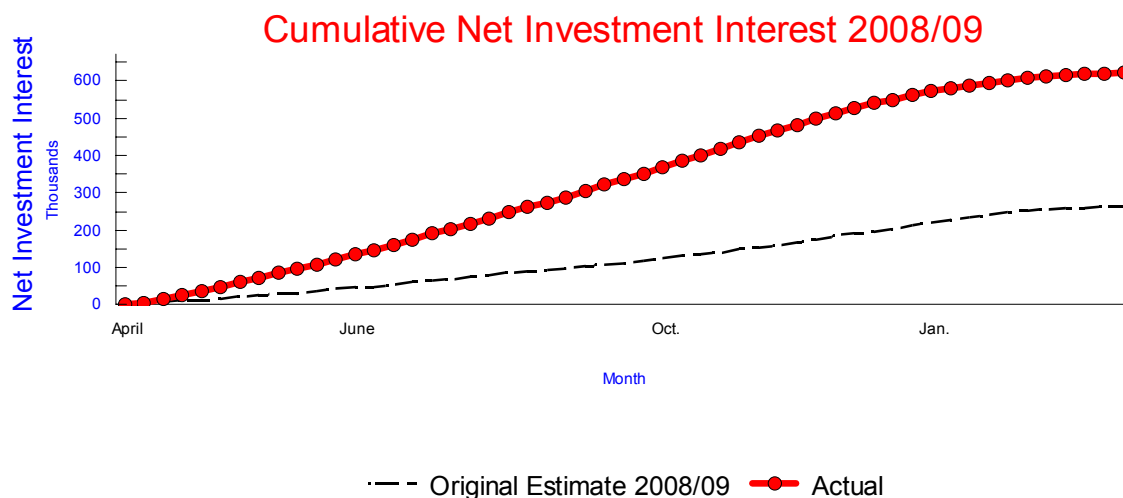
Longer-term interest rates – *The Council had no borrowings or Investments classified as long term during 2008/2009.* The PWLB 25 year rate started the year at 4.61% gradually increasing to 5.04% in July before falling to 4.7% in September. They gradually rose again to 5.07% in mid October before falling to 4.02% in January. Since then they have gradually fallen to 4.85% at the end of September and 4.56% at the end of December. Rates finished the year at 4.29%.

¹ Excludes cash balances.

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- 2.7 The final position of interest receipts compared to original budget is shown in the following graph:-



Interest earned and investment income was £641,240 compared with an original budget of £261,800. This includes £9,242 being the redemption premium on the Councils debenture holdings with the Association of District Councils which was repaid in July 2008. This was primarily due to positive cash flow, including due to carry-overs, underspends and capital cash flow, partially offset by a series of interest rate reductions from November 2008.

- 2.8 Based on the average weekly balance interest equated to an average of approximately 4.84% compared with the average 7 day LIBOR rate of 3.81%.

3.0 Evaluation of Management Arrangements

- 3.1 Each year internal audit carries out an audit of treasury management arrangements. Internal Audit has reported that the Treasury Management function and the investment of the Council's funds has been carried out and reported appropriately, in line with the CIPFA Code of Practice for Treasury Management in the Public Sector.

4.0 Banking Arrangements

- 4.1 The Council's bankers since April 1996 have been National Westminster Bank PLC. National Westminster Bank has successfully tendered to provide the Council a banking service for 4 years effective from April 2007 plus an option to extend for an additional four years.
- 4.2 An overdraft facility of £1 million was available but the account was managed with, on average, £7,931 in credit (£5,615 in credit in 2007/2008).

APPENDIX 4

PRUDENTIAL INDICATORS

	2007/08	2008/09	2008/09
	Actual	Initial	Actual
	£'000	Estimate	£'000
		£'000	
Capital Expenditure	3,355	2,721	4,386
Ratio of financing costs to net revenue stream	-1.62%	0.98%	-0.88%
Net borrowing requirement brought forward 1 April	-3,950	-2,368	-5,809
carried forward 31 March	-5,809	-1,787	-3,793
in year borrowing requirement	-1,825	581	2,016
Capital Financing Requirement as at 31st March	3,907	4,526	5,565
Annual change in Capital Financing Requirement	516	581	1,658
During 2008/2009 a decision was made to "borrow" in accounting terms over a £1 million to purchase Industrial Units;			
<u>TREASURY MANAGEMENT PRUDENTIAL INDICATORS</u>			
Authorised limit for external debt - borrowing	-	6,000	-
other long term liabilities	-	500	-
TOTAL	-	6,500	-
Operational boundary for external debt - borrowing	-	5,000	-
other long term liabilities	-	500	-
TOTAL	-	5,500	-
Upper limit for fixed interest rate exposure Net principal re fixed rate borrowing / investments	100%	100%	100%
Upper limit for variable rate exposure Net principal re variable rate borrowing / investments	-	70%	-
Upper limit for total principal sums invested for over 364 days (per maturity date)	-	2,000	-