

STATEMENT OF ACCOUNTS 2009/2010

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 2009/2010. [Note: The Statement of Accounts 2009/2010 has been circulated to the Committee separately from the agenda – will Members please bring this to the meeting]

2.0 RECOMMENDATION

That the Committee approve the Statement of Accounts for 2009/2010 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 2010. 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 a true and fair view 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 effective system of internal audit of its accounting records and systems of internal control. Implementing these other requirements is the responsibility of

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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 2009/2010 must be published is 30 September 2010. 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.

The Statement of Accounts will be published on the internet together with a summary of the balance sheet at 31st March 2010.

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.

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 Treasury Management Annual Report 2009/2010
APPENDIX 3 Prudential Indicators 2009/2010

Background papers: None

Consultation and sign off:

Solicitor to the Council (Paul Griffith) – 14 June 2010

Head of Resources (Nigel Smith) – 11 June 2010

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

APPENDIX 1OUT-TURN 2009/2010

Report of the Head of Resources

1.0 Introduction

- 1.1 The accounts for the year ended 31st March, 2010 have been completed, subject to audit, and this report sets out a summary of the out-turn. The full Statement of Accounts for 2009/2010 will be published later in the year following the audit of accounts by the Council's external auditors, District Audit.
- 1.2 **Appendix 2** to this report is the Treasury Management Annual Report for 2009/2010 setting out the position regarding borrowing and investments in that year. **Appendix 3** reports the actual Prudential Indicators for 2009/2010 as set against the indicators agreed by the Council in February 2009.

2.0 Revenue Out-Turn

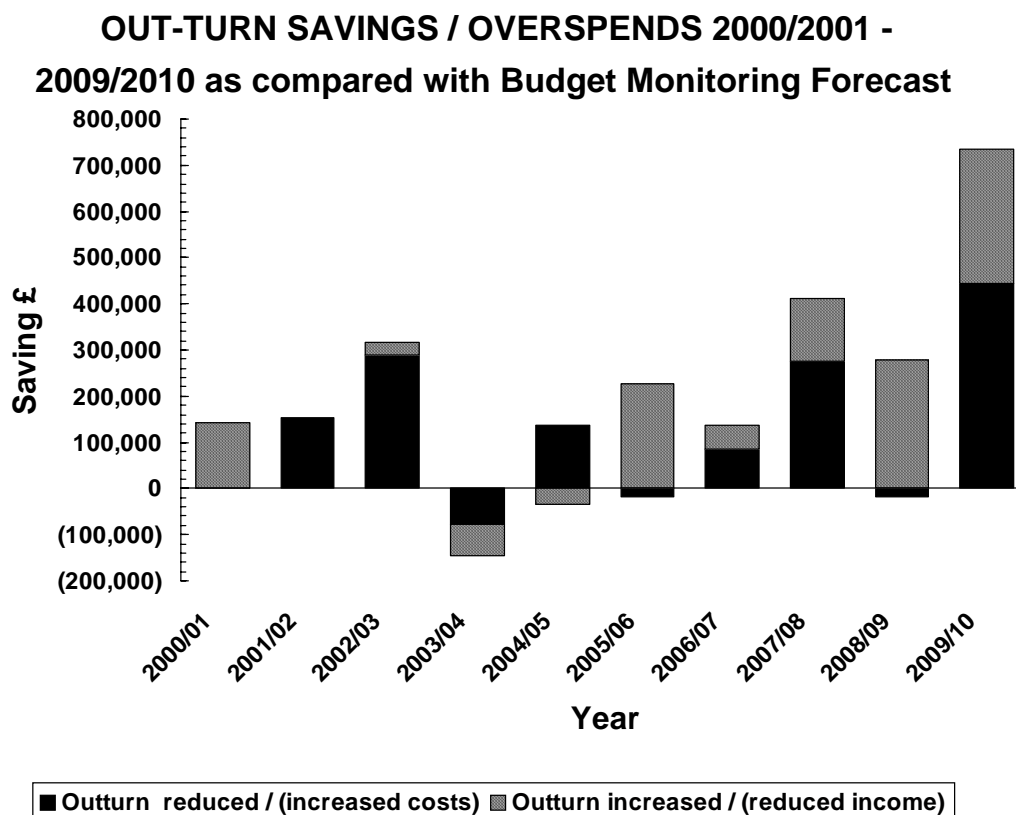
- 2.1 The year end general fund balance, net of budget carryovers of £209,900, at 31st March 2010 is **£1,260,000**. This is accordance with that required under the medium term financial strategy i.e. approximately 7% of the Council's net budget.
- 2.2 Para 2.8 provides a detailed analysis of the variations 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
	£	£	£
2009/2010	3,000	212,900	209,900
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

- 2.4 The approved 2009/2010 carryforwards were £149,600 below the Council's agreed strategic maximum carry-over level of £362,500.

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



The savings 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 2009/2010 there was an outturn saving of £734,000 compared with the February budgetary control report, a summary of these changes is shown in para. 2.8.

2.6 In accordance with Council policy a sum of £1,062,000 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.

2.7 During the year the Council has accounted for some unexpected one off income :-

2.7.1 Performance Reward Grant (LPSA2) £557,800 of which £278,900 (50%) is a capital grant and has been taken to a “capital grant unapplied” account to be made available to fund the Council’s capital programme, £166,000 has been set aside to meet projects that are non recurring within the 2010/2011 budget and £112,800 has been earmarked via the Capital Reserve to fund the Council’s capital programme.

2.7.2 Housing Planning Delivery Grant - £118,000 was received during 2009/2010 of which £87,600 has been earmarked via the Capital Reserve to fund the Council’s capital programme and £30,400 was used

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towards funding the corporate electronic and data capture project during 2009/2010.

- 2.7.3 VAT backdated claim - £645,000 was received from HM Customs and Excise following a successful claim for backdated VAT. This has been earmarked via the Capital Reserve to fund the Council's capital programme.
- 2.8 In the last week it has become clear that there is an issue in relation to the LPSA2 Performance Reward Grant mentioned at 2.7.1 above. Accounting principles require that grants from external sources are accounted for if all the conditions for receipt of the grant have been met, even if payment has not yet been received. Only 50% of this reward grant has actually been received and it now appears that, as part of government measures to reduce public spending, part or all of the remaining 50% of this grant may not now be paid to the Council, even though all the conditions for receipt had been met. The accounting implications of this are being investigated but an amendment to the reserves in the accounts may be required before the accounts are approved by the Committee. If so, this will be reported at the meeting and the Chairman will be asked to approve a version of the accounts with the necessary amendments made.

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

	Amount £000's	Amount £000's
General Fund Balance (excluding carry-forwards) at 1/4/2009		1,260
<u>Changes reported 2009/10 in accordance with Financial Regulations(Increased) / Decreased budget</u>		
Reduction in building, development control and land charges income	(187)	
Reduction in Interest Earned	(141)	
Redundancy costs	(80)	
Housing Benefits	(75)	
Parking Income	(51)	
Waste review consultancy	(17)	
Additional Salary Cost Chief Executive and Directors	(12)	
Electronic and Data Capture Project	(10)	
Professional Fees - VAT claim High Court	(9)	
Termination of Payroll services to Horizon Leisure Trust	(9)	
Staff cost increases - Regeneration	(7)	
All other changes	(1)	
Budget Increases		(599)
Managed Property - additional rental & sale income	135	
Staff cost savings - Environmental Services	120	
Concessionary Travel Bus Passes and Rail Vouchers	113	
Pay Award less than budgeted	107	
ICT budgets not required	101	
Revenues, Benefits and Customer Services contract with Capita	58	
Inn on the Beach coastal defence health and safety inspector	50	
Staffing Changes - Development & Technical Services	44	
Shared Chief Executive with East Hampshire	24	
Saving due to no by-election being called	23	
All other Development & Technical Services reported variator	22	
Additional net income - Green Waste Collection Scheme	21	
Staffing Changes - Customer & Support Services	19	
All other Customer and Support changes	16	
Additional Fee Income - Environment Agency Grant	15	
Staffing Changes - Organisational Development	13	
Additional income - sale of cullet	10	
Various Economic Development budget changes	10	
Staff cost savings - Resources	7	
Shared Equalities Officer with East Hampshire	7	
All other Regeneration Services changes	5	
All other Resources services reported variations	4	
All other Environmental Services reported variations	3	
Budget Reductions		927
Total approved changes to General Fund Balance		328
General Fund Balance after approved changes		1,588

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	Amount £000's	Amount £000's
General Fund Balance after approved changes		1,588
Changes compared with budget after approved variations		
<u>Reduced/(Increased) Expenditure</u>		
No capitalised salaries	(30)	
Additional loan repayments arising from Capital Expenditure	(25)	
Net cost Staff Canteen and Catering costs	(24)	
Net cost of Council Tax Benefits	(10)	
Net cost of Housing Benefits and including Bad Debt provision	91	
Employees - across all Groups	68	
ICT expenditure	43	
Concessionary Travel Scheme costs	42	
Large Building Repair Schemes	40	
Printing Stationery and Postages	38	
Local Development Framework	22	
Utility Costs	20	
Consultancy - waste review	18	
Environmental Services materials, equipment and plant	17	
Property Consultancy (including Leisure Centres)	16	
CCTV expenditure	13	
Staff Training	15	
Net cost Enabling and Homelessness	11	
Travelling & Subsistence costs	10	
All other expenditure variations	69	
Reduced expenditure		444
<u>(Reduced)/Increased Income</u>		
Recycling Income	100	
Development Control Income	33	
Licensing Income (mainly Taxi licences)	28	
Cemeteries Income	27	
Property Income greater than anticipated	25	
Local Land Charges Income	23	
Unbudgeted Habitat and New Burdens Grant	17	
Parking Income	15	
Coastal Recreation rental income	11	
All other income variations	11	
Increased Income		290
Transfer to Capital Reserve		(1,062)
General Fund Balance (excluding carryforwards) at 31st March		1,260
Strategic Balance Required		1,260
General Fund Balance below strategic level		0

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Some of the out-turn changes have no ongoing effect on the budget but all will be reviewed during the year and as part of the 2011/2012 budget process.

3.0 Reserves

3.1 Reserve balances at 31st March, 2010 are as follows:-

Reserve	Balance at 31st March 2009 £ 000's	Transfers to/(from) £ 000's	Balance at 31st March 2010 £ 000's
General Reserve			
General Fund (excluding carry overs & brought forwards)	<u>1,260</u>	<u>0</u>	<u>1,260</u>
Specific Revenue Purposes			
Insurance Fund (for risks borne internally instead of insuring)	535	(7)	528
Planning Reserve (Planning Delivery Grant)	405	(346)	59
General Fund - carryovers	327	(117)	210
General Fund - Corporate Projects and one off costs on 2009/2010 Capital Programme	323	(200)	123
General Fund - Projects funded by Empty Shops Grant and Homelessness Grant	-	86	86
General Fund - LPSA2 funding earmarked for one off projects	-	166	166
Local Authorities Business Growth Initiative	482	(88)	394
Total Specific Reserves:-	<u>2,072</u>	<u>(506)</u>	<u>1,566</u>
Capital Reserves			
Capital Reserve	695	1,179	1,874
Capital Reserve - Unallocated balance of one off amounts received in 2009/2010 earmarked for Capital Programme **	-	749	749
Asset Acquisition Reserve	1,930	(33)	1,897
Capital Receipts - reserved for Asset Acquisition	125	258	383
Capital Receipts	470	(194)	276
Unapplied capital grants	-	279	279
Total Capital Reserves:-	<u>3,220</u>	<u>2,238</u>	<u>5,458</u>

* As agreed in the 2009/2010 and 2010/2011 budget reports.

4.0 **Capital Spending**

4.1 Actual capital spending against the approved schemes was:-

Capital Spending 2009/2010	Total approved schemes £000's	February 2010 Budgetary Control Report £ 000's	Actual £ 000's	Reduced cash-flow compared with February 2010 Budgetary Control Report £ 000's
General Fund	3,651	2,245	1,958	287
Disabled Facilities Grants	1,310	1,010	818	192
Total	4,961	3,255	2,776	479

The total value of approved capital carry-overs was £1.615 million compared with £1.706 million estimated in the February 2010 Budgetary control report. The reduced cash flow compared with the February Budgetary Control Report for General Fund Schemes is primarily due to ICT/Business Transformation projects £172,200 where there is no longer a requirement to fund certain projects from capital resources due to the new ICT contract with Hampshire County Council and Public Sector Village project, £83,200 various projects funded via S106 contributions, Sustrans grant or a combination of both, and £36,500 Vehicle acquisitions.

5.0 **Collection Fund/Debtors to the Council**

5.1 There was a surplus on the Council Tax part of the Collection Fund of £108,000 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 2011 for Council Tax setting. Havant Borough Council's share of this surplus is £14,000.

- 5.2 Arrears of Council Tax, NNDR (including costs), benefit debt and other sundry debts etc. and the bad debt provisions as revised at March 2010 were:-

Gross Debtors Outstanding 31st March, 2010	Arrears 31/3/2010	Provision for Doubtful Debts	Arrears for which no provision has been made 31/3/2010	Arrears for which no provision has been made 31/3/2009
	£ 000's	£ 000's	£ 000's	£ 000's
Council Tax	3,499	1,808	1,691	1,689
Non Domestic Rates	537	237	300	238
Total Local Taxation	4,036	2,045	1,991	1,927
Housing Benefits	1,464	841	623	445
Penalty Charge Notices	49	29	20	20
Sundry Debtors - outstanding over 35 days	143	77	66	72
Total Sundry and Benefit Debtors	1,656	947	709	537

The Council Tax increase payable by residents in 2009/2010 was 2.5%. 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 2009/2010 is shown in Appendix 2.

Head of Resources
15 June, 2010

[Author: Keith Price Ext 6304]

APPENDIX 2

TREASURY MANAGEMENT - ANNUAL REPORT 2009/2010

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, 2009 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 As a basis for determining which counter party to use for investments, the investment amount and duration of Investment the Council used the Sector credit rating system. 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. The approved list of counter parties is amended immediately if any change occurs.

2.0 Report for the year ended 31st March, 2010

- 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 2009/2010. The only borrowing in 2009/2010 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 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 2005 £ million	31 March 2006 £ million	31 March 2007 £ million	31 March 2008 £ million	31 March 2009 £ million	31 March 2010 £ million
Total Debt	-	-	-	-	-	-
Total Investments	1.75	5.05	3.00	5.03	3.52	3.01
NET INVESTMENT	<u>1.75</u>	<u>5.05</u>	<u>3.00</u>	<u>5.03</u>	<u>3.52</u>	<u>3.01</u>

2.5 The average amount invested during 2009/2010 was £11.8 million compared to the forecasted amount of £15 million as indicated within the Treasury Management Strategy.

2.6 During the year 2009/2010 there were 176 (163 in 2008/2009) 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:-

	2005/06	2006/07	2007/08	2008/09	2009/10
Other Local Authorities	-	-	1	-	-
Banks and Building Societies	40	55	58	51	56
High Interest Earning Deposit Account	86	76	66	112	120

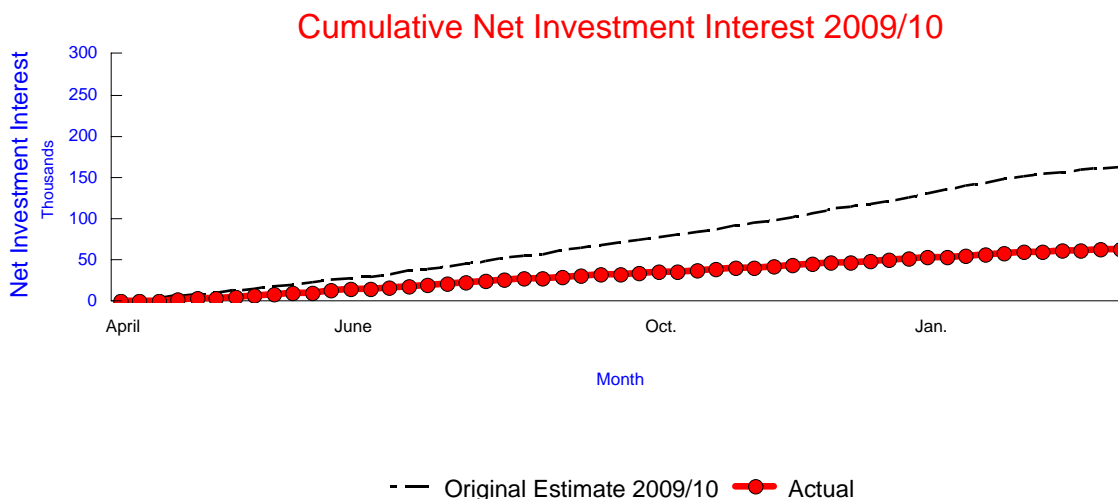
2.7 A summary of interest rates during the year is as follows:-

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 2009/2010 the Bank of England Base Rate remained at 0.5%.

¹ Excludes cash balances.

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



Interest earned and investment income was £66,080 compared with an original budget of £203,300. This was primarily due to interest rates remaining significantly below the assumed average rate of 1.31% which the original budget was based.

- 2.8 Based on the average weekly balance interest equated to an average of approximately 0.56% compared with the average 7 day LIBOR rate of 0.34%.

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 investment of the Council's funds have been conducted and appropriately managed in line with the CIPFA Code of Practice (Treasury Management in the Public Services 2001).

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 up to an additional four years.
- 4.2 The Treasury Management strategy requires the Council's bank account to be managed at a nil cleared balance on a day to day basis recognising that a small overdraft may be preferable to a surplus. An overdraft facility of £0.5 million was available but the account was managed with, on average, £3,095 in credit (£7,931 in credit in 2008/2009).

APPENDIX 3

PRUDENTIAL INDICATORS

	2008/09	2009/10	2009/10
	Actual	Initial	Actual
	£'000	Estimate	£'000
		£'000	
Capital Expenditure	4,386	2,664	2,776
Ratio of financing costs to net revenue stream	-0.88%	1.93%	2.60%
Net borrowing requirement brought forward 1 April	-5,809	-6,221	-3,793
carried forward 31 March	-3,793	-5,189	-3,578
in year borrowing requirement	2,016	1,032	215
Capital Financing Requirement as at 31st March (figures are net of opening adjustment A £1,534,000)	4,031	4,404	4,173
Annual change in Capital Financing Requirement	1,658	276	142
<u>TREASURY MANAGEMENT PRUDENTIAL</u>			
<u>INDICATORS</u>			
Authorised limit for external debt - borrowing	-	7,500	-
other long term liabilities	-	500	-
TOTAL	-	8,000	-
Operational boundary for external debt - borrowing	-	6,500	-
other long term liabilities	-	300	-
TOTAL	-	6,800	-
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	-