

## **OUT-TURN 2007/2008**

### Report of the Head of Resources

#### 1.0 **Introduction**

- 1.1 The accounts for the year ended 31st March, 2008 have been completed, subject to audit, and this report sets out a summary of the out-turn. The full Statement of Accounts for 2007/2008 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 2007/2008 setting out the position regarding borrowing and investments in that year. **Appendix 4** reports the actual Prudential Indicators for 2007/2008 as set against the indicators agreed by the Council in February 2007.

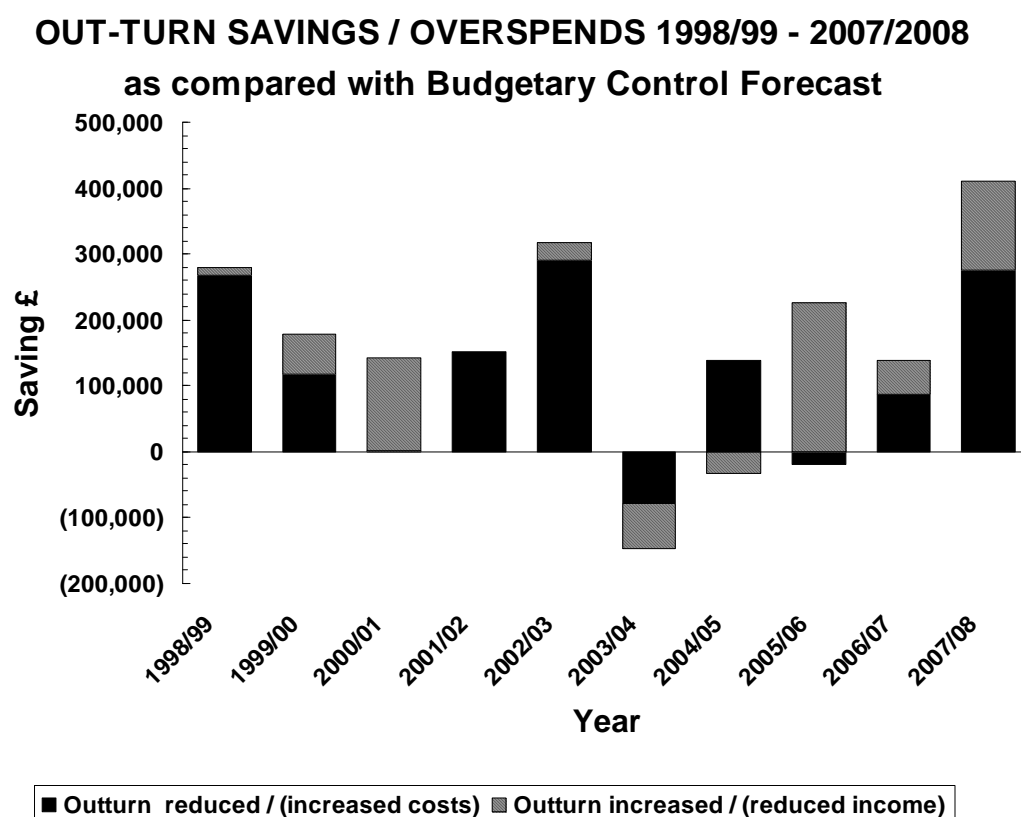
#### 2.0 **Revenue Out-Turn**

- 2.1 The year end general fund balance, net of budget carryovers of £585,000, at 31<sup>st</sup> March 2008 is **£1,357,800**. This is accordance with that required under the medium term financial strategy i.e. 8% of the Council's net budget £1,369,000 less £11,200 initial implementation costs of alternate weekly collections which will be met from future savings.
- 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:-

	<b>Brought Forwards</b>	<b>Carry Forwards</b>	<b>Net</b>
	<b>£</b>	<b>£</b>	<b>£</b>
2007/2008	<b>0</b>	<b>585,000</b>	<b>585,000</b>
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 2007/2008 carryforwards were £242,700 above the Council's agreed strategic maximum carry-over level of £342,300. The budget report agreed by the Executive in February 2008 included reference to the consequence of significant items of expenditure that have been deferred (e.g. maintenance works at the Leisure Centres pending the signing of the new agreement) and that the level of carry-forward budgets required may be greater than the strategic maximum indicated in the Medium Term Financial Strategy.
- 2.5 The following graph summarises out-turn savings / overspend in the last 10 years:-



The provision in the budget for underspend/additional income is split equally between these headings.

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 2007/2008 there was an outturn saving of £411,000 compared with the February budgetary control report. This represented 1.3% of total estimated expenditure and income in that year.

- 2.6 In accordance with Council policy a sum of £515,000 was transferred to the Asset Acquisition 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. Total funds available for asset acquisition at 31<sup>st</sup> March 2008 are £2,056,000.

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

	£ 000's
<b>General Fund Balance (excluding carry-forwards) at 1/4/2007</b>	1,275
See Appendix 2 for changes to the general fund balance already reflected in the February budgetary control report	236
<b>Changes compared with February Budgetary Control Report</b>	
<u>Reduced/(Increased) Expenditure</u>	
Additional Bad Debt provision - Housing Benefit Debt	(90)
Net cost of Council Tax Benefits	(43)
External Audit Fees	(26)
Additional funding for Liveability Projects	(19)
Local Taxation & NNDR Administration	(32)
Environmental Services Works Holding Account	70
Employees - across all Groups	54
Enabling & Homelessness - mainly Housing Needs Survey and PUSH	61
Crime Reduction and Prevention underspend (mainly CCTV)	50
Reduced Buildings costs including Large Buildings Repairs	59
ICT expenditure	25
Reduced cost of repayment of borrowing	24
Travelling & Subsistence across all Heads of Service	17
Property Consultancy (including Leisure Centres)	15
Cost of Local Elections	13
Other variations	31
<b>Reduced expenditure</b>	<b>299</b>
<u>(Reduced)/Increased Income</u>	
Interest Earned	21
Enabling & Homelessness Income	27
Legal costs recharged for S106 Agreements	26
Property Income greater than anticipated	25
Costs awarded for Debt collection (includes Council Tax)	18
Additional Licensing Income	13
Government Grant for Elections - Postal Voting	7
Reduction in Land Charges Income	(12)
Coastal Defences - Regional Monitoring Income	(10)
Reduction in Development Control Income	(10)
Other income variations	56
<b>Increased Income</b>	<b>161</b>
Transfer to Asset Acquisition Reserve	(515)
Transfer to earmarked reserve for set up costs of Garden Waste Collection Service	(48)
Allowance in Estimates for underspends and additional income	(50)
General Fund Balance (excluding carryforwards) at 31st March 2008	1,358
Strategic Balance Required	1,358
<b>General Fund Balance below strategic level</b>	<b>0</b>

Many 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.

3.0 **Reserves**3.1 Reserve balances at 31<sup>st</sup> March, 2008 are as follows:-

Reserve	Balance at 31st March 2007 £ 000's	Transfers to/(from) £ 000's	Balance at 31st March 2008 £ 000's
<b>General Reserve</b>			
General Fund (excluding carry overs & brought forwards)	<b><u>1,275</u></b>	<b><u>83</u></b>	<b><u>1,358</u></b>
<b>Specific Revenue Purposes</b>			
Insurance Fund (for risks borne internally instead of insuring)	257	220	477
Planning Reserve (Planning Delivery Grant)	95	341	436
General Fund - carryovers	520	65	585
General Fund - set up costs Garden Waste Collection	0	48	48
<b>Total Specific Reserves:-</b>	<b><u>428</u></b>	<b><u>626</u></b>	<b><u>1,498</u></b>
<b>Capital Reserves</b>			
Capital Reserve	599	(268)	331
Asset Acquisition Reserve	1,496	435	1,931
Capital Receipts - reserved for Asset Acquisition	112	13	125
Capital Receipts	1,468	(374)	1,094
<b>Total Capital Reserves:-</b>	<b><u>3,965</u></b>	<b><u>(194)</u></b>	<b><u>3,481</u></b>

4.0 **Capital Spending**

4.1 Actual capital spending as compared with the schemes approved was:-

<b>Capital Spending 2007/2008</b>	Total approved schemes £000's	February 2008 Budgetary Control Report £ 000's	Actual 000's	£ Reduced cash- flow compared with February 2008 Budgetary Control Report £ 000's
General Fund Renovation/Disabled Facilities Grants	4,259	3,299	2,533	766
Total	<u>1,159</u>	<u>952</u>	<u>822</u>	<u>130</u>
	<u>5,418</u>	<u>4,251</u>	<u>3,355</u>	<u>896</u>

The total value of approved capital carry-overs was £2.101 million compared with £1.167 million estimated in the February 2008 Budgetary control report. The reduced cash flow compared with the February Budgetary Control Report for General Fund Schemes is primarily due to Liveability Schemes £504,000, ICT/Business Transformation projects £164,000 and Playground Equipment £120,000.

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

- 5.1 There was a loss on the Council Tax part of the Collection Fund of £426,000 compared with a loss of £440,000 anticipated. The difference (arising from variations in liabilities, exemptions and discounts) will be taken into account when calculating the estimated balance at 31st March 2009 for Council Tax setting.
- 5.2 Arrears of Community Charge/Council Tax etc. (including costs) and the bad debt provisions as revised at March 2008 were:-

<b>Gross Debtors Outstanding 31st March, 2008</b>	Arrears 31/3/2008 £ 000's	Provision for Doubtful Debts £ 000's	Arrears for which no provision has been made 31/3/2008 £ 000's	Arrears for which no provision has been made 31/3/2007 £ 000's
Council Tax	3,157	1,360	1,797	2,304
Community Charge	1	1	-	-
Non Domestic Rates	342	190	152	172
<b>Total Local Taxation</b>	<u>3,500</u>	<u>1,551</u>	<u>1,949</u>	<u>2,476</u>
Housing Benefits	942	464	478	484
Sundry Debtors - outstanding over 35 days	209	97	112	75
<b>Total Sundry and Benefit Debtors</b>	<u>1,151</u>	<u>561</u>	<u>590</u>	<u>559</u>

The Council Tax increase payable by residents in 2007/2008 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 2007/2008 is shown in Appendix 3.

Head of Resources  
20 June, 2008

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**APPENDIX 2**  
**CHANGES TO THE GENERAL FUND BALANCE ALREADY REFLECTED IN THE**  
**FEBRUARY 2008 BUDGETARY CONTROL REPORT**

<u>Changes reported 2007/08</u>	Amount £	Amount £
<b>Reduced / (Increased) Expenditure</b>		
Additional costs County Wide Concessionary Travel Schemes	(532,700)	
Hayling Island Master Plan	(33,000)	
Executive 77/9/07 Leigh Park Regeneration : Pride of Place	(13,000)	
Executive 48/6/07 - Contribution to West of Waterlooville		
Major Development Area Integration Study	(8,000)	
Executive 53/6/07 - Insurance Grants to Voluntary Groups	(6,500)	
Staffing - across Council	294,000	
All other Community Group changes	28,500	
Various ICT budget reductions	21,000	
Various Revenue Client budget adjustments	17,800	
All other Corporate Group changes	13,900	
Reduced members allowances	9,000	
<i>Increased Expenditure</i>		(209,000)
<b>(Reduced) / Increased Income</b>		
Reduced Car Parking Charges Income	(86,000)	
Reduced Penalty Charge Notices Income	(32,000)	
Reduced Development Control Income	(19,000)	
Additional Interest Earned	233,100	
Additional Managed Property Income	113,500	
Additional Net Recycling Income	73,700	
Local Authorities Business Growth Grant	46,600	
Additional Land Charges Income	26,000	
Additional Licensing Income	25,200	
Additional Allotments and Beach Hut Income	10,000	
Additional Building Control Income	10,000	
		401,100
Budgeted Contribution to General Fund		43,500
<b>Total approved changes to General Fund Balance</b>		<b><u>235,600</u></b>

**APPENDIX 3****TREASURY MANAGEMENT - ANNUAL REPORT 2007/2008****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, 2007 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).

**2.0 Report for the year ended 31st March, 2008**

- 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 2007/2008. The only borrowing in 2007/2008 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 follows<sup>1</sup>:-

<b>Total External Borrowing and Investments</b>	31 March 2003 £ million	31 March 2004 £ million	31 March 2005 £ million	31 March 2006 £ million	31 March 2007 £ million	31 March 2008 £ million
<b>Total Debt</b>	-	1.00	-	-	-	-

<sup>1</sup> Excludes cash balances.

<b>Total Investments</b>	8.85	4.80	1.75	5.05	3.00	5.00
<b>NET INVESTMENT</b>	<u>8.85</u>	<u>3.80</u>	<u>1.75</u>	<u>5.05</u>	<u>3.00</u>	<u>5.00</u>

- 2.5 During the year 2007/2008 there were 125 (131 in 2006/2007) 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:-

	2003/04	2004/05	2005/06	2006/07	2007/08
Other Local Authorities	27	12	-	-	1
Banks and Building Societies	60	64	40	55	58
High Interest Earning Deposit Account	n/a	n/a	86	76	66

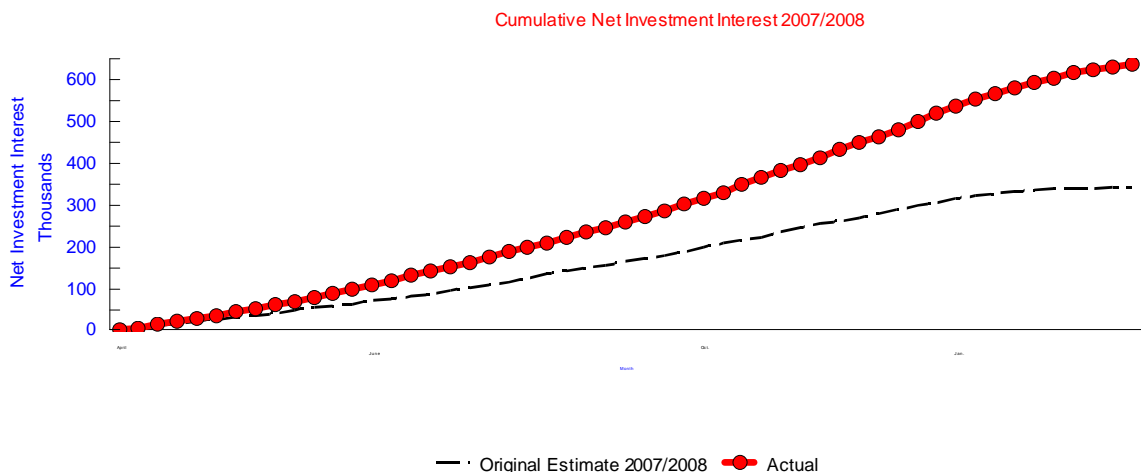
During July 2007 the Council Invested £1million in Northern Rock. Subsequent to this date the bank ran into serious financial difficulties. The investment has been repaid to the Council and Northern Rock is no longer an approved institution in which the Council invests its surplus cash.

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

Shorter-term interest rates – Base rates started the year at 5.25% and increases of 0.25% in May and then July saw them peak at 5.75% where they remained until December. Since then two reductions of 0.25% has seen the base rate end the year at 5.25%.

Longer-term interest rates – The PWLB 25 year rate started the year at 4.65% gradually increasing to 5.1% by June where they hovered around this rate until late July. Since then they have gradually fallen to 4.85% at the end of September and 4.56% at the end of December. Rates slightly rose in February to 4.78% finishing the year at 4.63%.

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



Interest earned was £306,000 greater than budgeted. This was primarily due to a series of increases in interest rates together with a positive cash flow which included the progress of Liveability projects.

- 2.8 Based on the average weekly balance interest equated to an average of approximately 6.03% compared with a published average 7 day rate of 5.61%.

### 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 have 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, £5,615 in credit (£15,590 in credit in 2006/2007).

**APPENDIX 4****PRUDENTIAL INDICATORS**

	2006/07	2007/08	2007/08
	Actual	Initial	Actual
	£'000	Estimate	£'000
		£'000	
Capital Expenditure	3,938	2,671	3,355
Ratio of financing costs to net revenue stream	-1.64%	0.32%	-1.62%
Net borrowing requirement			
brought forward 1 April	-5,050	-3,950	-3,950
carried forward 31 March	-3,950	-1,740	-5,775
in year borrowing requirement	1,100	2,210	-1,825
Capital Financing Requirement as at 31st March	3,391	3,978	3,907
Annual change in Capital Financing Requirement	906	752	516
<b><u>TREASURY MANAGEMENT PRUDENTIAL INDICATORS</u></b>			
Authorised limit for external debt -			
borrowing	-	5,600	-
other long term liabilities	-	500	-
TOTAL	-	6,100	-
Operational boundary for external debt -			
borrowing	-	4,600	-
other long term liabilities	-	300	-
TOTAL	-	4,900	-
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	-	50%	-
Upper limit for total principal sums invested for over			
364 days (per maturity date)	-	3,000	-