

Agenda Item:

Report to: Audit Committee

Date: 27 June 2006

Report from: Deputy Chief Executive and Director of Finance

Title of report: **FINAL ACCOUNTS 2005-06**

Purpose of report: This reports set out the final accounts position for 2005-06 and seeks authority to:-

- (i) finance capital expenditure as indicated,
- (ii) agree reserve movements as indicated.

Committee are also asked to approve the Statement of Accounts on behalf of the Council in accordance with the Accounts & Audit Regulations 2003.

Recommendations: **It is recommended that:-**

- (i) The Statement of Accounts be approved in accordance with the Accounts & Audit Regulations 2003.**
- (ii) Movements on reserves be agreed as set out in Appendix C, including that in respect of the Capital Reserve, subject to amendment to reflect any changes between provisional outturn and final outturn.**
- (iii) The methods of financing capital expenditure for 2005-06 as set out in Appendix E be approved.**
- (iv) Capitalisation of revenue expenditure as set out in paragraph 6 be approved.**

NOTE : Members are asked to make contact prior to the meeting regarding any detailed questions arising from the Report, Appendices or the Statement of Accounts.

1. Introduction

1.1 This report informs Committee of the final accounts position for 2005-06 and seeks authority to:-

- (i) finance capital expenditure as indicated,
- (ii) agree reserve movements as indicated.

1.2 There is an improvement in the General Fund revenue outturn compared to the revised budget.

1.3 The accounts for 2005-06 are complete but subject to examination by the District Auditor.

2. Statement of Accounts

2.1 The Accounts & Audit Regulations 2003 require the Council to approve the Statement of Accounts prior to publication, at the latest by 30 June this year. This deadline has progressively shortened over the last few years and this is why this Committee has delegated authority to approve the accounts on behalf of the Council. In prior years this report and the Statement of Accounts have been considered by the Cabinet and referred to the Council for approval. The un-audited Statement is attached. Should the Audit Commission require any material changes to the figures, I will inform you.

2.2 With respect to the Statement of Accounts I would draw your attention to:-

- For the first time, the Statement of Accounts excludes transactions in respect of the Foreshore Trust. At the time of writing this report, the Trust have not met to consider their accounts. Details regarding these transactions are included as a note to our accounts.
- Pensions assets and liabilities are shown on the basis of an actuarial valuation. East Sussex County Council administer the pension scheme and the Borough's share of the fund is in deficit to the extent of £22.64m. Full actuarial valuations are carried out on a three yearly basis and the valuation has led to a need for employer contributions to the fund to rise by 5.2% phased in over 4 years starting in April 2005. The increase has been allowed for in our budgets and factored into the Medium Term Financial Plan assumptions.

2.3 The remainder of this report considers the final accounts position in a format consistent with previous years' reports to Cabinet.

3. Revenue Budget

- 3.1 Appendix A shows a summary of the provisional outturn for the year. There is an improvement of £449,000 compared to the revised budget. After allowing for £146,000 of unspent budget to be carried forward to 2006-07, the provisional out-turn is almost £303,000 lower than the revised budget and only around £50,000 higher than the original budget agreed in February 2005.
- 3.2 As reported to both Overview and Scrutiny Committees in May and Cabinet on 5 June there are further additional costs relating to recycling activities. The Chief Executive has commissioned independent reviews into this from service, financial and corporate perspectives.
- 3.3 In view of the improvement in the overall position compared to the Revised Budget, it is recommended that an amount equivalent to that improvement is transferred to the General Reserve to support carried forward expenditure and, more generally, expenditure in future years. At 31st March 2006 the balance on the General Reserve is therefore £1.66m.
- 3.4 The revised budget assumed a transfer from Reserves and Balances of £1.54m. This has decreased to £689,000 as set out in Appendix A. The General Fund working balance remains at £500,000.
- 3.5 The variations from budget are shown in Appendix B. Please note that there is no direct comparison with the variations shown in Appendix A as recharges of support services and capital financing charges are excluded from the Appendix B analysis as being internal charges. Also shown are the budgets the Deputy Chief Executive has agreed can be carried forward to 2006-07 in accordance with delegated authorisations contained in the Financial Rules.
- 3.6 Any further adjustments that may be necessary prior to formally finalising the accounts, will be dealt with by increasing or decreasing the transfer from the General Reserve as appropriate.

4 Reserves

- 4.1 Appendix C sets out the Reserves position at 31 March 2006. The estimated position considered when setting the Revised Budget for the main reserves was an estimated balance of £3.65m. The actual position is £4.55m but with carry forward requests of £0.52m to be funded from these reserves the proper comparison is £4.03m.

5 Capital Programme and Resources

- 5.1 Gross capital expenditure in 2005-06 was £7.55m compared to the revised programme of £8.06m, net of assumed £500,000 slippage. The variations are shown in Appendix D and brief explanations are provided for the more significant items. Some of the slippage has been caused by external factors beyond our control.
- 5.2 The 2005-06 capital expenditure will, subject to your agreement, be financed as set out in Appendix E.
- 5.3 Unused capital receipts and grants have been used to finance £6.04m of the expenditure whilst borrowing will meet the remaining £1.51m.
- 5.4 There is an anticipated sum of £591,000 invoiced for the Council's share of the sale of ex-council houses in 2005-06.

6. Provisions for Credit Liabilities

- 6.1 The Council should be making a minimum revenue provision (MRP) for debt repayment. Simplistically this equates to 4% of net General Fund debt. However, there is an adjustment that stems back to 1992 when the Government gave local authorities commuted lump sums in exchange for specific annual loan charge grants, mainly Renovation Grants. The effect of this adjustment is to create short to medium term revenue losses and these losses are neutralised by reductions in the minimum revenue provision and the issue of an approval to capitalise commutation losses. The effect in 2005-06 is a minimum revenue provision of nil and an approval of £237,000. The approval has an accompanying direction permitting the Council to capitalise an equivalent amount of revenue expenditure that was included in the budget. The full direction has been exercised. This position starts to change in 2007/08 when the MRP turns positive and the Council starts to make a contribution towards debt repayment.

7. Collection Fund

- 7.1 Appendix F sets out the outturn for the Collection Fund. There is a surplus of £168,000 at the year-end that has increased the surplus of £193,000 brought forward on 1st April 2005. This increase will be available towards funding the Council Tax requirement of each preceptor in 2007-08, the Council's share being £55,000.
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Appendices & Background Documents :

Appendix A - Final Accounts Summary 2005-06

Appendix B - Major Variations and Requests for Carried Forward of Unspent Budgets into 2006-07

Appendix C - Revenue Reserves – Movements in 2005-06

Appendix D - Capital Programme Expenditure 2005-06

Appendix E - Capital Programme Finance 2005-06

Appendix F - Collection Fund 2005-06

Statement of Accounts 2005-2006

Policy Implications : This report contains implications for the following:-

Equalities & Community Cohesiveness

Crime and Fear of Crime (Section 17)

Risk Management

Environmental issues

Economic / Financial implications

Human Rights Act

Organisational Consequences

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FINAL ACCOUNTS SUMMARY 2005-2006**APPENDIX A**

	2005-2006 Revised Budget £	2005-2006 Actual £	Variation to Revised Budget £
Directorates			
Deputy Chief Executive	1,806,510	1,555,980	(250,530)
Executive Director, Communications & Organisational Development	3,183,590	3,074,582	(109,008)
Executive Director, Regeneration & Planning	2,301,950	2,563,448	261,498
Executive Director, Housing, Communities & Neighbourhoods	5,171,120	5,398,961	227,841
Executive Director, Environment & Safety	5,137,300	5,230,587	93,287
Executive Director, Leisure & Cultural Development	5,184,620	5,122,397	(62,223)
Direct Service Expenditure	22,785,090	22,945,955	160,865
Contingency Provision	30,000	0	(30,000)
Provision for Turnover Savings	0	0	0
Business Growth Incentive	(20,000)	(6,964)	13,036
Total Service Expenditure	22,795,090	22,938,991	143,901
Capital Financing Charges	(6,505,000)	(7,412,301)	(907,301)
Net Interest	(623,000)	(712,243)	(89,243)
Use of Earmarked Reserves	(746,600)	(342,883)	403,717
Clawback of previous years grant	22,100	22,100	0
Net Council Expenditure	14,942,590	14,493,664	(448,926)
Use of Reserves and Balances	(795,330)	(346,404)	448,926
Revenue Support Grant	(8,262,817)	(8,262,817)	
Collection Fund	(5,884,443)	(5,884,443)	
Surplus / Deficit	0	0	

MAJOR VARIATIONS AND REQUESTS FOR CARRY FORWARD OF UNSPENT BUDGETS INTO 2006-07

Service Provider	Service Area	Cost Centre	Variation over/(under) £'000	Requests for the carry forward of unspent budgets £'000
Deputy Chief Executive's				
	Foreshore Trust – savings on legal fees and counsel's advice	5290	(48)	
	Farms, Estates & Other Property – additional rental income and reduced expenditure	2404	(147)	
	Savings on costs of Tax Collection	5950	(36)	
Communications and Organisational Development				
	Corporate Personnel costs including recruitment & relocation expenses	1090	(34)	20
	Information Technology Reserve expenditure	V168	(120)	120
	Information Technology Division – various savings including equipment purchases	1034	(38)	5
Regeneration & Planning				
	Directorate wide salary and other savings	various	(100)	55
	Additional income from planning and land search fees, and grants	various	(124)	15
Environment & Safety				
	DEFRA recycling scheme overspend	3410	180	
	Other waste contract costs	3303	59	
	Off Street car parking – lower income and underspent repairs & maintenance items	1300	82	29

MAJOR VARIATIONS AND REQUESTS FOR CARRY FORWARD OF UNSPENT BUDGETS INTO 2006-07

Service Provider	Service Area	Cost Centre	Variation over/(under) £'000	Requests for the carry forward of unspent budgets £'000
	Controlled Parking Zone in St.Leonards - consultants fees have slipped	1340	(30)	30
	Shelters & Seats – new bus shelters – work delayed	1501	(18)	
	Highways management contract – increased S38 income	1505	(28)	
	Licensing – increased income	510*	(38)	
	Street Cleansing contract costs	3313	34	
	Public Conveniences – reduced repairs & mtce.	3303	(19)	
	Community Safety & Crime Prevention measures	5214	(35)	
	'Together Hastings' smarten-up campaign	5205	(26)	
Leisure & Cultural Development				
	Castle – savings on operational expenses	2510	(19)	
	Chalets – savings on premises costs and additional income	2514	(15)	
	St.Mary in the Castle – reserve funded repairs expenditure	2602	(30)	30
	Cemetery & Crematorium – additional operational costs and reduced income	3102	60	
	Decorative Lighting – savings	5236	(15)	
	Seafront - savings on operational expenses	5241	(18)	
	Museums & Art Gallery – savings / delays on repairs & maintenance items	6000	(31)	36
	Youth Activities – savings	6006	(15)	
Housing, Communities & Neighbourhoods				
	Portland Place Admin.Building – repair & maintenance items	1152	(27)	27
	Community Action – discretionary rate relief	5120	(15)	

MAJOR VARIATIONS AND REQUESTS FOR CARRY FORWARD OF UNSPENT BUDGETS INTO 2006-07

Service Provider	Service Area	Cost Centre	Variation over/(under) £'000	Requests for the carry forward of unspent budgets £'000
	Other minor variations from all Directorates		(108)	151
	Additional sum allowed to be capitalised re MRP and the commutation adjustment		(45)	
	Net Interest better than anticipated		(89)	
	Reduced use of earmarked reserves needed to fund underspendings shown above		404	
	Overall net underspend		(449)	518

Analysis of the funding of carry forward requests:

General Fund	146
Repair & Renewal Reserve	140
IT Reserve	120
On-Street Parking Surplus	112

Appendix C

REVENUE RESERVES – MOVEMENTS IN 2005-06

	On-Street Car Parking Reserve £000's	Industrial Development Reserve £000's	Renewal & Repairs Reserve £000's	Information Technology Reserve £000's	Risk Management Reserve £000's	General Reserve £000's
Balance at 1 April 2005	(159)	(459)	(1,912)	(358)	(231)	(1,566)
Transfer from Capital Reserve	0	0	0	0	0	0
Contributions/Receipts 2005-06	(96)	(1)	(251)	(275)	(76)	(449)
	(255)	(460)	(2,163)	(633)	(307)	(2,015)
Less Payments During 2005-06	89	61	551	164	64	350
Balance at 31 March 2006	(166)	(399)	(1,612)	(469)	(243)	(1,665)

At the year-end an invoice for £ 590,935 was issued for the Council's share of the sale of ex-council houses. A credit has been taken to a reserve pending its receipt.

Other minor reserve balances stand at £7,749 at 31 March 2006

In addition to the above, Capital Reserves stand at £6,634,211 at 31 March 2006

CAPITAL PROGRAMME EXPENDITURE 2005-06

Service	Gross Budget £000's	Actual £000's	Net Variation £000's
Deputy Chief Executive	781	709	(72)
Communications & Org. Development	565	476	(89)
Environment & Safety	323	348	25
Housing, Communities & Neighbourhoods	2,818	2,873	55
Leisure & Cultural Development	1,920	1,254	(666)
Regeneration & Planning	1,965	1,649	(316)
Other Expenditure (capitalised revenue)	192	237	45
	8,564	7,546	(1,018)
Assumed slippage in programme			500
		Net variation	(518)

Main Scheme Variations

£000's

Deputy Chief Executive

ES06 Bank Buildings	(73)	slip not in programme
DC02-2 Priory Meadow Shopping Improvemnt.	43	

Communications & Org. Development

P02 Geographical Information System	(54)	slip
CL32 Castle Access Improvements	(35)	slip

Environment & Safety

ES14 Alternative Parking Provision	(47)	slip
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Leisure & Cultural Development

LS12 Country Park & Farm	(112)	slip
LS03 Multi Purpose Play Areas	(231)	slip
LS04 Access to Public Open Spaces	(42)	slip
LS15 Allotment Regeneration	(42)	slip
LC19 Alexandra Park Depot refurbishments	(99)	slip
RT12 West Marina Area Regeneration	(41)	slip
CL25 Museum Extension	(35)	slip

Regeneration & Planning

PE10 Long Term Beach Management	(44)	slip
RT13 Town Centre Regeneration Scheme	(40)	slip
RP05 Sea Front Strategy	(59)	slip

CL35	Decorative Lighting Schemes	(115)	slip*
RP04	Restoration of Pelham Crescent	(50)	slip

Housing, Communities & Neighbourhoods

H07	Renovation Grants	71	**
H08	Disabled Facilities Grants	144	**
H12	Empty Homes Grants	(42)	**
H14	Central St.Leonards Renewal Area	115	**
H15	Investment in Affordable Housing	(240)	**

(1,028)

Analysis of all variations:

Variations in expenditure	233
Slippage of expenditure into 2006-07	(1,266)
B/f – advanced expenditure	15
	<hr/> (1,018) <hr/>

* Part of this was necessary to safeguard external (SRB) grant.

** The Net Housing overspend of £48,000 will be offset against expenditure in 2006-07.

Appendix E

CAPITAL PROGRAMME FINANCE 2005-2006

		Outturn 2005-06 £000's
<u>Expenditure :</u>		
Housing Renovation & Renewal.		2,873
Conservation Grants		522
Other		4,151
		<hr/>
		7,546
 <u>Financed by :</u>		
Borrowing		1,507
Grant - Disabled Facilities Grant	320	
Lottery Grant	634	
SRB Grant	628	
Implement.Electronic Govt. Grant	150	
Other Grants	508	
	<hr/>	2,240
Capitalisation Transaction [see para. 6.1]		237
Reserves		91
Capital Receipts		3,471
		<hr/>
		7,546
		<hr/>

Appendix F

COLLECTION FUND 2005-06

		£000's
Surplus brought forward at 1 April		(193)
Business Rates		
Income from Business Ratepayers	(15,509)	
Less Cost of Collection	127	
Less Contribution to Business Rate Pool	<u>15,382</u>	0
Council Tax		
Income from Council Taxpayers	(31,616)	
Transfer from General Fund re Council Tax Benefits	(7,913)	
	<u>(39,529)</u>	
Less East Sussex County Council precept	27,680	
Less Sussex Police Authority	3,182	
Less East Sussex Fire Authority	1,933	
Less Hastings Borough Council demand	5,884	
Less Write-offs and Provision for Bad Debts	<u>682</u>	
Surplus for Year		(168)
Surplus on Collection Fund at 31 March c/f *		<u>(361)</u>
 * Balance made up as follows:-		
Residual Community Charge		(1)
Council Tax - East Sussex County Council	(257)	
- Sussex Police Authority	(31)	
- East Sussex Fire Authority	(17)	
- Hastings Borough Council	<u>(55)</u>	
		(360)
		<u>(361)</u>