

**Agenda Item No:**

**Report to:** Audit Committee

**Date of Meeting:** 30 June 2008

**Report Title:** FINAL ACCOUNTS 2007-08

**Report By:** Neil Dart, Deputy Chief Executive and Director of Corporate Resources

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**Purpose of Report**

This reports set out the final accounts position for 2007-08. The Audit Committee are asked to approve the Statement of Accounts on behalf of the Council in accordance with the Accounts & Audit Regulations 2003.

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**Recommendation(s)**

1. The draft Statement of Accounts be approved and a copy signed by the Chair of the Audit Committee in accordance with the Accounts & Audit Regulations 2003.
2. The Committee review the outturn position on the General Fund for 2007-8
3. The 2007/8 outturn position, along with the revised estimates for 2008/9 be taken into account when preparing the 2009/10 detailed revenue estimates.

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**Reasons for Recommendations**

Compliance with statutory requirements and good practice. The Council is accountable for the use of public money and continuously seeks to improve Value for Money.

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**Background**

**Introduction**

1. The Accounts & Audit Regulations 2003 require the Council to approve the Statement of Accounts by the 30 June each year and publish them by 30 September. This Committee has delegated authority to approve the accounts on behalf of the Council. The un-audited Statement of Accounts is attached.

2. The Council's external auditors PKF will commence auditing the full accounts on 23 June and a report will be brought to the Audit Committee in September giving details of the outcome of the audit and of any material amendments made to the accounts.
3. There is an improvement in the General Fund revenue outturn compared to the revised budget.

### **Statement of Accounts**

4. The Statement of Accounts as defined in the regulations and CIPFA's Accounting Code of Practice comprises:
  - \* An explanatory foreword.
  - \* A statement of accounting policies.
  - \* The accounting statements.
  - \* Notes to the accounts.
  - \* Statement of Responsibilities for the Statement of Accounts.
5. With respect to the Statement of Accounts I would draw your attention to changes introduced by the 2007 SORP (Statement of Recommended Practice) that are:-
  - a. Changes to the way Financial Instruments are shown in the accounts. Disclosure notes providing fair value at the date of the balance sheet are now required. This can be seen with regard Long Term Debtors, Borrowing and Short Term Deposits.
  - b. The replacement of the Fixed Asset Restatement Reserve (FARA) and Capital Financing Account (CFA) by a Revaluation Reserve and Capital Adjustment Account. The former shows gains in the revaluation of fixed assets since 1 April 2007 and the latter combines the FARA and CAA accounts to show the total capital financing and adjustments to fixed assets other than unrealised gains.
  - c. The treatment of Local Area Agreement Grants - these grants are required to be shown against the services to which they relate, and should be disclosed in the Statement of Accounts.
6. The Council's draft accounts for approval are attached in Appendix E

### **The Accounting Statements**

7. The Income and Expenditure Account provides a summary of the resources generated and consumed by the Council in the year.
8. The Statement of the Movement on the General Fund Balance is a reconciliation showing how the balance of resources generated / consumed in the year links in with the statutory requirements for raising Council Tax.



9. The Statement of Total Recognised Gains and Losses brings together all the gains and losses of the Council for the year and shows the aggregate increase or decrease in its net worth.
10. The Balance Sheet shows the value of the Authority's assets and liabilities against its reserves and balances.
11. The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions between the Council and external bodies and individuals for the year.
12. The Collection Fund Income and Expenditure Account shows a deficit of £1,229,000 in 2007/8. In setting the Council tax for 2008-09 this Council and the preceptors allowed for a deficit of £1,232,682 leaving an expected break even position thereafter. An in year council tax collection rate of 96.06% was achieved in 2007/8 (95.3% in 2006/7).
13. Further interpretation of the accounts highlighting key issues is contained within the explanatory foreword of the Statement of Accounts.

### **General Fund Position - Revenue**

14. A summary of the provisional outturn for the year is shown in Appendix A. There is an improvement of £913,000 compared to the revised budget; of which £549,000 will be carried forward into 2008-09. If general timing differences on the use of reserves is excluded e.g. repairs and renewals, the improvement is £527,000. It should also be noted however that £162,000 is in respect of Pebsham Landfill Site receipts which have been received in advance of the assumptions contained in the Revenue Budget Forward Plan. The overall adjusted improvement is therefore £365,000.
15. The Revised Budget assumed a contribution from the General Reserve of £720,880. The improvement shown above now results in £191,680 being transferred to the General Reserve. This is good news for the Council and at 31 March 2008 the balance on the General Reserve is £2.06m. The General Fund working balance remains at £500,000.
16. The variations from budget are shown in Appendix B. Please note that the recharges of support services, depreciation and capital charges are excluded from the analysis - as being internal charges. Also shown are the budgets that the Deputy Chief Executive and Director of Corporate Resources has agreed can be carried forward to 2008-09 in accordance with delegated authorisations contained in the Financial Rules.
17. Included in the accounts are a number of transactions that you should be aware of.
  - a. A number of recently assessed potential bad debts has given rise to a re-assessed bad debt provision. This has been increased from the estimated £50,000 to £172,000.



- b. Tressell Training – a shortfall in funding of £49,000.
- c. East Hill Lift – the closure of the lift after last June's accident and the impending legal action by the Council has meant that a £92,000 shortfall in income cannot be assumed to be recoverable.
- d. The loss of car parking cash by the Council's previous collector has led to the writing off of £234,800 against the Council's car parking operation.
- e. Following the back-dated rate relief claimed by the Foreshore Trust on its seafront property a sum of £316,000 has been credited to the Council's revenue accounts and transferred to the Capital Reserve. This has been referred to in earlier reports on the matter of the Trust.
- f. Additional government grant from the LABGI scheme (Local Authority Business Growth Incentives), its final year in the present format, gave rise to an extra £83,000 (£133,140 received in total during the year).

## **Reserves**

18. The accounts detail the Reserves position at 31 March 2008. The estimated balance when setting the Revised Budget for the main Revenue Reserves was £3.62m. The actual position is £4.69m but with carry forward requests of £0.16m to be funded from these reserves the direct comparison is £4.53m.

## **Capital Programme and Resources**

19. Gross capital expenditure in 2007-08 was £6.46m compared to the revised programme of £7.63m. The variations are shown in Appendix C. A review of the reasons behind each variation has been undertaken - the majority being caused by external factors beyond the Council's immediate control.
20. The 2007-08 capital expenditure is to be financed as per Appendix D.
21. Unused capital receipts, reserves and grants have been used to finance £6.43m of the expenditure whilst borrowing will meet the remaining £0.03m.

## **Provisions for Credit Liabilities**

22. From 1 April 2007 the Government introduced new regulations concerned with the treatment of MRP (Minimum Revenue Provision – a sum calculated to repay capital debt). This places a general duty on the Council to make prudent provision for the re-payment of capital debt. The Council's Treasury Management advisors (Sector) have reviewed the local position and ascertained that for 2007-08 no provision need be made. This gives rise to a budget saving of £87,000.

## **Pensions**

23. An accounting standard (FRS17) requires Councils (and businesses) to disclose the deficits/surpluses in their pension funds on an annual basis and to include the deficit within the Balance sheet. This necessitates actuaries identifying the



assets and liabilities of the respective institutions investing within the fund on a point in time basis i.e. what the value of Pension Fund investments were worth on 31 March. It should be noted that this is a snap shot of the pension fund on just one day and that equities and bond prices go up and down on a daily basis.

24. The FRS 17 calculation shows a deficit of £13.875 million at the 31st March 2008 (£17.410 million at 31.3.2007) which represents the difference between the assets that the Council has within the fund (equities, bonds, property and cash) which amount to £72.395 million (£76.845m at 31.3.07) while liabilities amount to £86.27 million (£94.25m at 31.3.07).

25. East Sussex County Council administers the pension scheme. Full actuarial valuations are carried out on a three yearly basis (last carried out at 31st March 2007) and the valuation has led to a need for employer contributions to the fund to be 21.8% for the next three years. This rate has been allowed for in our budgets and factored into the Revenue Budget Forward Plan assumptions.

### **Financial Strategy**

26. The Council remains in a good financial position, but will need to balance its budget in the future. The Government's Comprehensive Spending review (CSR2007) provided limited Formula Grant Support to District and Borough Councils and as such it is vital that the limited resources available are used effectively. The Council's financial strategy links directly to the objectives detailed in the Council's Corporate Plan.

27. It is standard practice to analyse previous year variations when determining the forthcoming budget. It is recommended that the 2007/8 outturn position, along with the revised estimates for 2008/9, be taken into account when preparing the 2009/10 detailed revenue estimates.

### **Summary Accounts**

28. It is recognised that the full Statements of Accounts are not simple to understand. It is the intention therefore to produce 2007/8 summary accounts following a short consultation exercise on format.

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#### **Wards Affected**

None

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#### **Area(s) Affected**

None



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## Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	No
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No

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## Supporting Documents

Appendix A - Final Accounts Summary 2007-08  
Appendix B - Major Variations and Carry Forward of Budgets into 2008-09  
Appendix C - Capital Programme Expenditure 2007-08  
Appendix D - Capital Programme Finance 2007-08  
Appendix E - Statement of Accounts 2007-2008

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## Officer to Contact

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