

Agenda Item No:

Report to: Audit Committee

Date of Meeting: 29th June 2009

Report Title: FINAL ACCOUNTS 2008-2009

Report By: Peter Grace, Head of Financial Services

Purpose of Report

This reports set out the final accounts position for 2008-09. The Audit Committee are asked to approve the Statement of Accounts on behalf of the Council in accordance with the Accounts & Audit Regulations 2003.

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 note the outturn position on the General Fund for 2008-09.
3. The 2008-09 outturn position, along with the revised estimates for 2009-10 be taken into account when preparing the 2010-11 detailed revenue estimates.
4. That Cabinet be requested to consider the transfer of the underspend on the General Fund to the Interest Equalisation Reserve in order to meet expected shortfalls of investment income in 2009/10 and beyond.

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.

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 in early July 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 2008 SORP (Statement of Recommended Practice) that are:-
 - * revaluation of assets at the point of disposal is no longer appropriate
 - * deferred charges are now referred to as 'Revenue Expenditure Funded from Capital Under Statute'
 - * the costs of disposing of fixed assets can no longer be offset against the capital receipt but must be charged to revenue
 - * Area Based Grant must be accounted for as a general grant, and treated as income in the period in which it is received
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 produced a surplus in the year of £1,158,000. There was a deficit in the previous year deficit of £1,229,000. The cumulative deficit at the 31st March 2009 is therefore £71,000, which is a relatively small and manageable balance (it represents 0.19% of the income collected from Council taxpayers). An in year council tax collection rate of 95.7% was achieved in 2008-09 (96.0% in 2007-08).
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. The total service expenditure is £1.147m less than the revised estimate. The overall net underspend is £566,416 (See Appendix B) when compared to the revised budget; of which £447,000 will be carried forward into 2009-10. If general timing differences on the use of reserves are excluded e.g. repairs and renewals, the Council is better off by £119,000. This net under spend is equivalent of 0.6% of the Council's gross expenditure (£93.1m).
15. The Revised Budget assumed a contribution from the General Reserve of £923,556. The improvement shown above results in only £357,140 being required from the General Reserve (£923k-566k). This is good news for the Council and as at 31 March 2009 the balance on the General Reserve is £1,310,531. 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 2009-10 in accordance with delegated authorisations contained in the Financial Rules.
17. Other variations worth noting are:-

* the balance on the Concessionary Travel budget of £205,000 which has been transferred into a reserve to meet the possible liabilities arising from judicial reviews

of the current re-imbursement scheme, and late claims that may flow through after the accounts are closed in relation to 2008-09.

* the balance on Area Based Grant funded schemes amounted to £275,000 of which £136,000 is being carried forward. (The variations are shown in Appendix B, and mainly relate to salary savings).

* The bad debt provision, reassessed on an annual basis, has necessitated that an additional contribution of £87,500 be made in the 2008-09 accounts.

Reserves

18. The accounts detail the Reserves position at 31 March 2009. The estimated balance when setting the Revised Budget for the main Revenue Reserves was £6.334m. The actual position is £10.257m. New reserves have been created for Concessionary Travel (£0.2m) and for Area Based Grant monies (£2,539m) - see Appendix E. The creation of the ABG reserve provides an effective mechanism to carry forward these monies. There are carry forward requests of £272,000 to be funded from reserves which reduces the overall Reserve balance to £9.985m. It should be noted that without the Area Based Grant monies the reserves would amount to £7.582m. This is still higher than the £6.334m estimated when setting the reserve budget. The reason for this is that the Council has borrowed money to finance the Capital programme rather than use reserves. The retention of the reserves provides greater flexibility for the Council to meet unexpected expenditure or mitigate the effect of reduced income in the current and future years.
19. The Council received £5.006m of Area Based Grant monies (revenue) in 2008/9 of which £2.467m has been spent. The Council agreed the further use of £1.65m at its meeting in December 2008 for special measures - commencing in April 2009. The main programme for future funding was agreed at the Cabinet meeting in March 2009. The Council can roll spending from one year to the next without clawback and this enables money to be reallocated if anticipated spending is not achieved or becomes less appropriate due to changed circumstances.
20. The Medium term Financial Strategy identified the need for any underspend to be used as an opportunity to strengthen reserves. It is recommended that the underspend in 2008/9 of £119,000 is transferred to the Interest Equalisation Reserve in order to meet expected shortfalls in investment income in 2009/10 and beyond. The Cabinet would need to make this decision, but the Audit Committee may consider making a recommendation to this effect.

Capital Programme and Resources

21. Gross capital expenditure in 2008-09 was £6.82m compared to the revised programme of £7.58m. 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.
22. The 2008-09 capital expenditure is to be financed as per Appendix D.

23. Unused capital receipts, reserves and grants have been used to finance £4.556m of the expenditure whilst borrowing will meet the remaining £2.264m.

Provisions for Credit Liabilities

24. 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 option chosen by the Council has given rise to a charge to revenue in 2008-09 of £192,000 which is slightly less than the £199,000 budgeted.

Pensions

25. 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.

26. The FRS 17 calculation shows a deficit of £25.033 million at the 31st March 2009 (£13.875 million at 31.3.2008) which represents the difference between the assets that the Council has within the fund (equities, bonds, property and cash) which amount to £59.186 million (£72.395 m at 31.3.08) while liabilities amount to £84.219 million (£86.27m at 31.3.08). The large increase is not unexpected in light of the worldwide recession and falling returns on investments across the board. At this point in time there is no requirement on the Council to amend the contributions to the fund, either for employers or employees.

27. 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 three years from 2008-09. This rate has been allowed for in the Council's budget and factored into the Revenue Budget Forward Plan assumptions.

Financial Strategy

28. The Council's financial standing remains strong. To maintain this position it needs to take opportunities to strengthen reserves and identify further significant efficiencies in order to maintain a balanced 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.

29. It is standard practice to analyse previous year variations when determining the forthcoming budget. It is recommended that the 2008-09 outturn position, along with the revised estimates for 2009-10, be taken into account when preparing the 2010-11 detailed revenue estimates.

Wards Affected

None

Area(s) Affected

None

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

Supporting Documents

Appendix A - Final Accounts Summary 2008-09
Appendix B - Major Variations and Carry Forward of Budgets into 2009-10
Appendix C - Capital Programme Expenditure 2008-09
Appendix D - Capital Programme Finance 2008-09
Appendix E - Statement of Reserves

Officer to Contact

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Please note:

Final Accounts, Appendix F - Could not be published on the Council's website, due to the complex tables that it contains. If required a copy can be obtained by contacting: Emily Horne, Tel: 01424 451719 or emailing: ehorne@hastings.gov.uk