

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
<b>Governance Committee</b>	<b>30 June 2009</b>



<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
<b>South Ribble Borough Council Statement of Accounts 2008/09</b>	<b>Finance &amp; Resources</b>	<b>M Nuttall</b>	<b>8</b>

## **SUMMARY AND LINK TO CORPORATE PRIORITIES**

The Accounts and Audit Regulations 2003 require the Council to approve its Statement of Accounts, including the Annual Governance Statement, for the 2008/09 financial year by 30th June 2009. Therefore this report has been prepared to enable the Council to comply with the Regulations in respect of the financial year ended 31<sup>st</sup> March 2009.

The Council's draft and unaudited Statement of Accounts for the year ended 31<sup>st</sup> March 2009 is appended (Appendix A), with the main points being summarised within this report.

This report provides an update on the Council's overall financial position and financial strategy. Through the Annual Governance Statement (AGS), it also reports on the efficiency of the internal control environment as set out on pages 11 – 18 of the Statement of Accounts (Appendix A). The Annual Governance Statement also appears as a separate report on this agenda.

## **RECOMMENDATIONS**

That the Governance Committee:

1. note the contents of the report and appendices;
2. note the budget variances for 2008/09 listed at Appendix B;
3. approve that the budget items listed at Appendix E are carried forward to 2009/10;
4. approve the financing of the capital programme for 2008/09 and the carry forward of capital re-phasing to 2009/10 as outlined in this report;
5. endorse the retention of reserves at Appendix D together with the proposed contributions to and withdrawals from these reserves as detailed within the Statement of Accounts, in accordance with the policy as set out in this report; and,
6. approve the Statement of Accounts for 2008/09 (Appendix A)

## **EXECUTIVE SUMMARY**

The main points arising from this report are:

1. The actual net revenue expenditure of the Council for 2008/09 was £15.084m this gives a deficit to be funded from general reserves of £0.146 million. The expected financial position at year end previously reported to Member was an expected deficit to be funded from general reserves of £0.877m. This equates to an improvement in performance of £0.731 million and is principally due to lower Concessionary Travel costs (£0.307m) than anticipated, additional government grant funding (LABGI £0.106m) being received, and a higher amount of Housing Benefit Subsidy income (£0.192m) being achieved.

2. The final position for 2008/09 has also allowed for a revision of the contributions to specific reserves in line with the Council's financial strategy and this will have the effect of helping to strengthen the medium term financial planning process for 2009/10 and subsequent years.
3. The original capital budget allocation for 2008/09 was revised during the year from £3.959m to £4.396m; the actual out-turn for 2008/09 was £3.414m mainly due to the re-phasing of expenditure into the next financial year.
4. The Council has £5.0m invested in the Icelandic banks Landsbanki and Heritable that went into administration in October 2008. This is dealt with in the accounts in accordance with guidance issued by the Chartered Institute of Public Finance and Accountancy's local Authority Accounting Panel (Bulletin 82, published in May 2009).
5. Under the Building (Local Authority Charges) Regulations 1998 the Building Regulations Control Services are set a target of making a surplus from operations over a three year rolling period. South Ribble have failed to do this over this period 2006/07 to 2008/09, making a deficit of £0.069m in 2008/9.
6. The Council is currently forecast to exceed the Government's efficiency target for the three years ending 31<sup>st</sup> March 2009, i.e. cumulative efficiencies in the region of £1.400m compared against a target for 2008/09 of £0.507m.
7. All of the minor external audit issues raised in relation to the audit of 2007/08 accounts have been addressed.
8. The Financial Statements for 2008/09 have been prepared in accordance with CIPFA's Statement of Recommended Practice.
9. For 2008/09, there is a requirement for an audited Whole of Government Accounts (WGA), return to be submitted by 1<sup>st</sup> October 2009.

## **DETAILS AND REASONING**

Within this report below, Section A contains more detail in relation to the Financial Statements for 2008/09 and provides , and in Section B sets out the implications of the 2008/09 final out-turn position on the Medium Term Financial Strategy in future years.

## **SECTION A - Financial Statement of Accounts 2008/09**

### **Background**

Regulation 10 of the Accounts and Audit Regulations 2003 requires the Statement of Accounts to be approved by either full Council or by a committee specifically delegated with the power to carry out this function. The Governance Committee is established specifically for this purpose. The Statement of Accounts should be signed and dated by the elected member chairing the meeting at which approval is given.

Regulation 11 requires authorities to publish the 2008/09 Statement of Accounts no later than 30th September 2009.

This report has been prepared to enable the Council to comply with the regulations in respect of the financial year ended 31st March 2009.

The regulations do not require the external audit of the accounts to have been completed prior to approval by the Council. The Council's External Auditors will present the Annual Audit Letter to members later in the financial year, following the conclusion of the audit. It should however be noted that the preparation of this Statement of Accounts has involved consultation with the Council's External Auditors, and any observations have been taken into account as part of the process of producing this report.

The Council's External Auditors plan to conduct their final audit work during July and August. The Accounts will be available for public inspection from the 29<sup>th</sup> July 2009 for a period of 20 working days. The appointed day, on which electors may question the Council's External Auditors in connection with their audit of the 2008/09 Statement of Accounts, has been designated as 27th August 2009.

The general format of the Statement of Accounts (Appendix A) and the information reported is prescribed by legislation and by accounting standards and guidance relating to local authorities. However, to assist in the understanding of the Statement of Accounts this report summarises the main items of note concerning the Council's financial performance for 2008/09.

Members should note that, the Treasury's code for fiscal stability published in 1998 contained specific provisions relating to the production of Whole of Government Accounts (WGA). These will be based on Generally Accepted Accounting Practice in the United Kingdom (UKGAAP) and they will provide a fully audited true and fair view of the Government's financial performance.

### **Summary of Main points within the Financial Statement of Accounts**

#### **REVENUE EXPENDITURE**

Members will note that in setting the revised budget for 2008/09 it was anticipated that a net contribution of £0.877 million would be released from the general reserve to balance the Council's overall revenue budget. Taking into account the outturn position, it is now proposed that this amount is revised to £0.146m. In addition to this, there are some proposed changes to the contributions to and from specific (earmarked) reserves, taking into account the risks that the Council faces.

An explanation of the items affecting the variance is shown at Appendix B.

## CAPITAL EXPENDITURE & RECEIPTS

The original capital allocation for 2008/09 was revised during the year from £3,959,069 to £4,396,115 in order to incorporate the re-phasing of some capital projects from 2007/08. The major areas of capital expenditure and sources of funding are as follows:

<b>CAPITAL EXPENDITURE &amp; FINANCING 2008/09</b>	
	<b>£000</b>
<b>Capital Expenditure</b>	
Playgrounds, Recreation Areas & Open Spaces	983
Housing Grants	689
Asset Management	538
Vehicles, Plant and Equipment	497
Information Technology	432
Regeneration	125
Leisure Centre Assets	96
Other Grants	54
<b>Total capital expenditure</b>	<b>3,414</b>
<b>Financing</b>	
Deferred Purchase (leisure partnership)	96
Government Grants	646
Developers' contributions	442
Fund balances & reserves	970
Capital receipts	108
Revenue contributions	72
Borrowing	819
External Contributions	261
<b>Total Financing of capital expenditure</b>	<b>3,414</b>

The capital expenditure outturn for 2008/09 was £3,413,653 against a Revised Estimate of £4,396,115. The main reasons for the variations are summarised in the following table:

<b>CAPITAL EXPENDITURE 2008/09</b>		
	<b>£'000</b>	<b>£'000</b>
Revised Estimate to Cabinet 11th February 2009		4,387
Additional approvals in March 2009 (Hurst Grange Park)		9
<b>Revised Estimate for 2008/09</b>		<b>4,396</b>
<b>LESS Re-phasing into 2009/10</b>		
<b>Finance &amp; Resources:</b>		
Asset Management - <i>General rephasing across a number of schemes</i>	(97)	
Parks, Play areas & open spaces		
<i>Due to be completed in 2009/10:</i>		
<i>Kingsfold Drive, Penwortham</i>	(16)	
<i>Withy Grove Park</i>	(58)	
<i>Footpath and footbridge, Holme Road (lighting)</i>	(14)	
<i>Tardy gate Play Area (lighting and footpath works)</i>	(33)	
<i>Various other schemes</i>	(30)	
<b>Corporate &amp; Support :</b>		
IT Schemes – <i>rephrasing of projects</i>	(211)	
<i>Corporate IT work programmes (£110k) is due to ongoing review of systems to maximise efficiency through emerging technology. Other rephasing of expenditure includes: Telephony Services (Joint procurement) £24k; Government Connect £15k; Electronic Landlord schedule/proprint £24k; - all due to be completed on 2009/10</i>		
<b>Public Health &amp; Housing:</b>		
Disabled Facilities Grant – <i>Grants approved but work not started at 31<sup>st</sup> March 2009</i>	(4)	
<b>Regeneration and Planning:</b>		
Regeneration schemes – rephased implementation		
Churchill Way environmental improvements	(228)	
Other regeneration projects	(71)	
<b>Street Scene:</b>		
Vehicles & plant replacements		
<i>Budget rephased, pending outcome of waste service review</i>	(111)	
Provision of Weighbridge, Moss Side depot	(20)	
<b>Total Rephasing into 2009/10</b>		<b>(893)</b>
<b>PLUS Underspends during the year</b>		
<b>Finance and Resources</b>		
Asset Management – Expenditure funded from revenue budget	(94)	
Asset Management – Leyland Leisure Centre Works – contract saving	(62)	

<b>Street Scene</b>		
Vehicles and Plant Replacements	(43)	
<b>Various Other Schemes</b>	(21)	
<b>Total Underspend Achieved 2008/09</b>		<b>(220)</b>
<b>LESS Overspends during the year</b>		
Housing Strategy Grant	23	
Other	12	
<b>Total Overspend in 2008/09</b>		<b>35</b>
Leisure Partnership Investment		96
<b>NET CAPITAL EXPENDITURE VARIATION</b>		<b>(982)</b>
<b>OUTTURN CAPITAL EXPENDITURE 2008/09</b>		<b>3,414</b>

The re-phased expenditure will, on approval, be incorporated into the 2009/10 Capital Programme.

### **INVESTMENTS – Icelandic Banks**

The financial position with regard to Investments in the Statement of Accounts is dealt with in separate reports to this Committee. As previously reported the prospects of recovering money from the Icelandic banks is unfolding slowly but it is now looking more promising. Working with the Local Government Association and other local authorities we continue to take every step possible to recover the frozen deposits.

As regards the year end accounting treatment of the total of £5.0m frozen investments in the failed Icelandic Banks Landsbanki and Heritable, this is the first Statement of Accounts that has had to deal with the financial implications of this situation. The adjustments made within the draft accounts presented for approval follow the guidance issued by both CIPFA and Local Authority Accounting Panel (Bulletin 82), and are in accordance with Statutory Instrument 2009 No 321. For accounting purposes, these require the Council to recognise that they are unlikely to recover the full amount invested and make a provision, known as an “impairment”. This is then offset by an estimate of the interest that is due to the Council from these investments as at 31<sup>st</sup> March 2009. However as the regulations allow for the impact on the account to be deferred until 2010/2011 the aggregate net charge of the impairment and interest due is reversed back out of the accounts. In summary, this means that there is no impact on the revenue expenditure of the Council in 2008/09 or 2009/10. It should be noted that in 2010/11 the Council budget will suffer the cost of the impairment provision, although, if Government permission is granted, it may be possible to capitalise the cost thereby spreading it over a number of years.

It should be noted that the position outlined above is subject to the following risks and uncertainties:

1. Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts. Failure to secure preferential creditor status would have a significant effect, reducing the recoverable amount from 95% to possibly 33%.

2. The impact of exchange rate fluctuations on asset recovery (by the administrator) and settlement of the authority's claim.
3. Settlement of the terms of a bond which will allow old Landsbanki creditors to enjoy rights in new Landsbanki.
4. The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

The basis of accounting for the frozen Icelandic deposits is expected to continue to change as more up to date and better information becomes available. The national accounting guidance will be updated to take this into account and we will need to then act upon this.

## **BUILDING REGULATIONS CONTROL SERVICES**

Under the Building (Local Authority Charges) Regulations 1998 the Building Regulations Control Services are set a target of making a surplus from operations over a three year rolling period. South Ribble has failed to do this over the period 2006/07 to 2008/09, making a deficit on the fee-earning account of £0.069m in 2008/9. This has been offset in part by transferring funds from a building control reserve that was built up from surpluses in previous years. However, the fund now stands at just £4,622 which means that should the function continue to trade at a deficit there will be little scope to continue to finance this in future years.

All local authority Building Control Services have been hit by the general economic downturn which has consequently affected fee income levels. Whilst Building Control staff have been partially redeployed onto other Council priorities to help reduce the financial deficit on the statutory trading account, there should be a thorough review of expenditure and income relating to this service during 2009/10. That said, given the current economic climate, any attempt to increase in fees may be counter-productive.

## **FIXED ASSET REVALUATIONS**

The Council is required to revalue all its land and property assets within a five year period. In addition it reviews, every year, the values of any assets which have been improved or developed, and those the values of which have been impaired because of physical damage or defects. The Valuation Office Agency was commissioned to undertake this work in 2008/09.

Specific attention was given to the impact of the significant downturn in the property market on the Council's investment portfolio. However, in light of the values being achieved and the continuing high rates of occupation, no significant adjustments were required.

In total 30 assets were re-valued during the year.

## **DEBT RECOVERY**

The recovery of debt for both Council Tax and Business Rates (NNDR) was adversely affected in 2008/09. Arrears in respect of Council Tax increased by 2.96% and NNDR arrears increased by 4.93%. It should also be noted that sundry debtors outstanding non-instalment invoices also increased by 6.25%. This trend can most likely be attributable to the current economic climate. The details of this can be illustrated in Appendix C.

## **DEBTORS**

Members will note that total debtors at the 31<sup>st</sup> March 2009 amounted to £4.483m compared with £4.629m at 31<sup>st</sup> March 2008, which is a reduction of £0.146m. As in previous years, the bad debt provision has been reviewed to take account of the period of time the debts have been outstanding and the likelihood of ultimate recovery.

## CREDITORS

Total creditors at the 31<sup>st</sup> March 2009 amounted to £4.559m compared with £3.922m at 31<sup>st</sup> March 2008, which has increased by £0.637m.

This is mainly due to the increase of £0.992 in the balance on the National non domestic rate (NDR) creditor account as a result of changes to the rules in relation to empty properties in 2008/09.

## REVENUE RESERVES

The following table shows the Council's overall level of revenue reserves as at 31<sup>st</sup> March 2008 and 31<sup>st</sup> March 2009, subject to the approval of the Statement of Accounts as drafted. This shows a General fund balance of £3.392 at 31<sup>st</sup> March 2009. The overall level of reserves has reduced by £1.025 million mainly due to the use of balances in the year, as explained elsewhere in this report.

<b>REVENUE RESERVES</b>	<b>31/3/2008 £'000</b>	<b>31/3/2009 £'000</b>
General Fund Reserve	3,538	3,392
Earmarked and other Reserves	8,351	7,472
<b>Total</b>	<b>11,889</b>	<b>10,864</b>

In line with the recommendation of the Council's external auditors, strategic spending plans are maintained to support the reserves held by the Council.

In setting the medium financial strategy, the Council has acknowledged the longer term demand on certain reserves and accommodated these within its medium term financial plan to address future expenditure pressures and risks facing the Council.

Members are asked to endorse the retention of reserves at Appendix D together with the contributions to/withdrawals from these reserves as detailed within the Statement of Accounts.



## **SECTION B - Financial Strategy**

### **FUTURE RISKS TO THE COUNCIL'S MEDIUM TERM FINANCIAL STRATEGY**

The Council's medium term financial strategy is regularly reviewed by the cabinet member for Finance & Resources, Cabinet, Corporate Director (Resources), and the Senior Management Team. The budget monitoring process allows for issues to be highlighted and corrective action to be taken when necessary. The Council, however, faces a number of significant issues that could represent a risk to the assumptions made in the development of the medium term financial strategy, not least the current national economic climate. It is important that these issues are kept under constant review to take account of the latest available information and to ensure that contingency arrangements and/or reserves are adequate to manage the assessed risk. The following section of the report reviews the risks to the financial strategy and makes proposals on the levels of reserves needed to mitigate the impact of those risks.

As in previous years, the Statement of Accounts has been prepared with recommendations on the reserves the Council should hold to cover future expenditure. The recommendations follow a thorough review during the closure process after taking into consideration more up to date information, the risks facing the Council and future expenditure plans.

#### **General Reserve**

The general reserve is needed to deal with unplanned/unforeseen expenditure or losses in come. As outlined earlier in the report, in setting the revised budget for 2008/09 it was anticipated that a contribution of £0.877m be released from the general reserve. Taking into account the out-turn position it is now proposed to revise this to a contribution of £0.146m. The Councils previously agreed target level for General Fund is 10% of the net budget requirement which for 2009/10 would be approximately £1.5m.

The 2008/09 year end balance is significantly above this however any decision should be viewed in the context of the resources needed to deliver future corporate priorities and the risks facing the Council. The Council faces challenges of a forecast funding gap in future years, challenging efficiency targets and uncertainty over future levels of Government funding together with issues with regard to the current economic environment, for example, the future financial impairment of Icelandic Banks investments, possible reduction in levels of customer income, reduced investments income, increase in arrears on debtors. In the light of all these factors it is important to consider that this reserve may be needed to help balance the budget in coming years when determining whether the balance should be reduced.

#### **Earmarked Reserves**

Earmarked reserves have been established to meet 'known or predicted liabilities' where the impact of the expenditure would otherwise cause a significant variation to the Council's annual expenditure. As regards the individual earmarked reserves the Committee should take into consideration the specific comments set out below in deciding whether the reserves are appropriate:

#### **Area Committees**

This reserve represents unspent amounts carried forward for Area Committees to ensure that each Area Committee retains the amount previously allocated to it but where the spend fluctuates over financial years. The balance on this reserve as at 31<sup>st</sup> March 2009 is £0.053m.

## **Asset Management**

The Council owns a significant property portfolio. All property requires on-going maintenance to ensure its long term viability as an asset and to protect income generation. The Council has an Asset Management Plan, which sets out the programme of maintenance, and this is supported by detailed spending plans.

As with any property portfolio there is always the potential for unplanned/urgent repairs/maintenance. This has been taken into consideration in the review of the spending plans

## **Borough Council Elections**

This reserve is used to meet the costs associated with the Council's elections held once every four years. The contributions to this reserve were utilised in 2007 to cover the costs of holding the elections. This reserve will be built up to meet the cost of holding the next election in 2011.

## **Building Control**

The Building (Local Authority) Charges Regulations 1998 gave local authorities the power to set their building control fees. The regulations require that full recovery of the cost of providing the building control service should be achieved over a three year continuous accounting period with effect from April 1999, when the regulations came into force. The balance at 31<sup>st</sup> March 2009 was £4,622.

## **Housing Needs Survey**

This reserve is used to meet the costs of carrying out a detailed housing needs survey. The last survey was carried out in 2007/08. The contributions to this reserve are based on the anticipated costs of conducting the next survey in 2010.

## **Public Open Space Commuted Sums**

Substantially this reserve represents the cash endowment received for maintaining assets transferred to the Council from the Commission for New Towns.

## **Single Status/Equal Pay**

The Fair Pay Exercise was undertaken in 2006/07 with full agreement and implementation of the scheme taking place in 2007/2008. The additional pay bill costs resulting from the implementation of the review are now being incurred as part of the recurring budget. Funding from this reserve will be gradually introduced to the budget over the period of the Medium Term Financial Strategy to partially offset the additional costs. The balance on the fund as at the 31 March 2012 is forecast to be zero.

## **Leisure Sites**

This reserve was set up to allow the carry forward of unspent repair and maintenance budgets for the Leisure sites managed by the Council's Leisure Partner (South Ribble Community Leisure Ltd). This will be used to fund any future repair costs for which the Council is committed to under the contract with the Leisure Trust.

## Vehicles & Plant Replacement

This is a relatively small reserve which is generally utilised to fund vehicle and plant acquisitions that are not funded from other sources of finance. The forward estimates provide for a contribution of £40,000 per annum from revenue into this reserve to fund future acquisitions.

## ICT Strategy Reserve

The balance on the ICT Reserve at 31<sup>st</sup> March 2009 amounts to £1.484m out of which the following items are planned to be funded in 2009/10 and 2010/11:

<b>ICT STRATEGY SPENDING PLANS 2009/10 &amp; 2010/11</b>	
	<b>£'000</b>
Capital Programme commitments:	
Proposed rephasing of expenditure from 2008/09	211
Customer Relationship Management (CRM) project (final phase)	30
Microsoft Software Licences	46
Replacement Human Resources system	50
IT Replacement Programme	555
IT Work Programme	36
<b>Total</b>	<b>928</b>

## Local Development Framework (LDF)

The purpose of this reserve is to meet the predicted fluctuating expenditure requirements in relation to the LDF.

The closing balance on this reserve is £0.152m. Potential future costs have been estimated and are reflected in the projected balance on the reserve in future years.

## Other Earmarked Reserves

The balances on 'Other' earmarked reserves represent amounts carried forward from one financial year to the next, mainly where the timing of spending has been later than planned.

The opening balance for 'Other' reserves at 1st April 2008 was £0.531m. Approved transfers during the year reduced this reserve by £0.215m, and the proposed amounts to be carried forward from 2008/09 will add £0.232m. During the year 2008/09, £0.123m was released in relation to commitments brought forward and £0.092m was used to fund the capital programme.

## Pension Fund

This reserve was set up to fund any future liability in relation to increased pension costs payable to South Ribble Community Leisure Ltd. (SRCLL) arising from the Leisure Services Agreement.

During the year, £30,000 was utilised which leaves a balance of £38,000 to be retained and used annually to cushion the future impact of these costs.

## Efficiency targets

The Government's approach for Local Governments to make Efficiency Savings was brought about as part of the Comprehensive Spending Review which covers the whole of the public sector. All public services have been set a cashable savings target of 3% per annum over the period 2008/09 to 2010/11. South Ribble's target is based upon 2007/08 actual expenditure is illustrated in the table below:

Year	2008-09	2009-10	2010-11
<b>Target (% of 2007-08 baseline)</b>	3%	6.1%	9.3%
<b>Expected gains (£)</b>	507,000	1,030,000	1,570,000

The VFM targets above are not mandatory and the DCLG will not be setting a baseline expenditure figure for each council individually as it did under the previous regime. However, the council recognises the need to understand its own baseline for the purposes of measuring improvement over the next three years. The current regime allows over achievement of targets to be rolled forward and counted against future years' targets. As the Council was able to bring forward efficiencies over achieved from 2007/08 in the sum of £0.522m the planned target was uplifted to £0.839m in 2008/09. The initial projected out-turn for 2008/09 indicates that the target for 2008/09 including £0.522m from the previous year is in the region of £1.400m mainly brought about by savings achieved on employee costs in comparison to the 2008/09 original budget.

In April the Chancellor announced as part of the Government's budget proposals that there would be an increase in public sector efficiency targets. The consequences of this are that the efficiency target for local authorities will be increased from 3% to 4% for 2010/11.

The Council has a strong track record of delivering efficiencies over a number of years just to balance its finances. In the current year, 2009/10, a savings target of £2.3 million has been set and good progress is being made in delivering against this target. The delivery of these savings is being monitored extremely closely by Cabinet Members and senior managers and a progress report will be presented to Members following the end of the first quarter, i.e. 30 June.

## WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas shown below. The table shows the implications in respect of each of these.

<b>FINANCIAL</b>	As set out in the report
<b>LEGAL</b>	This report is required in line with the Accounts and Audit Regulations 2003.
<b>RISK</b>	Risks are as identified within the report..

<b>OTHER (see below)</b>	
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Asset Management	Corporate Plans and Policies	Crime and Disorder Act 1998 – Section 17	Data Protection
Fair Access	Freedom of Information Act 2000	Health and Safety	Human Rights Act 1998
Implementing Electronic Government	Staffing	Sustainability	Training and Development

**BACKGROUND DOCUMENTS**

- Regulation 10 of the Accounts and Audit Regulations 2003
- The Local Government and Housing Act 1989, Section 56(5)
- Financial Strategy/Budget and Council Tax 2009/10 – Cabinet, 11<sup>th</sup> February 2009
- Annual Efficiency Statements – 2008/09 Forward Look

## **APPENDICES**

Appendix A	Statement of Accounts including the Annual Governance Statement for South Ribble Borough Council for year ended 31 March 2009. (For Approval)
Appendix B	Significant Budget Variances in 2008/09 (for information).
Appendix C	Council Tax, Business Rates and sundry debtor collection
Appendix D	Reserves and Balances
Appendix E	Revenue budget items to be carried forward to 2009/10
Appendix F	Medium Term Financial Strategy Revenue Budget Forecasts 2009/10 – 2012/13
Appendix G	Glossary of Terms

## Significant Budget Variances in 2008/09

The table below identifies the main variations between the outturn Net Budget Requirement and the Revised Estimate for 2008/09.

	£'000	£'000
<b>Borough Council Net Budget Requirement (Revised Estimate)</b>		<b>15,814</b>
<b>Higher Income Receivable:</b>		
Housing Benefit Subsidy	(192)	
Local Authority Business Growth Improvement (LABGI) Grant	(106)	
Increased Court Cost Income	(42)	
Investments Interest	(64)	
<b>Lower Income:</b>		
Planning Fees	91	
<b>Lower Costs:</b>		
Concessionary Travel Costs	(307)	
Employee Related Expenses	(102)	
Repairs and Maintenance	(82)	
Transport Costs	(79)	
Homelessness – Temporary Accommodation	(33)	
Grounds Maintenance Refurbishment	(68)	
<b>Other (net)</b>	27	
Revenue Budget underspend carried forward to 2009/10	(232)	
<b>Total Net Savings</b>		<b>(1,189)</b>
Less: Reduced Capital Contributions		(14)
Plus: Higher / (lower) Net Contributions to General Reserves		472
<b>Total (Increase)/Reduction in General Fund Balance for Year</b>		<b>(731)</b>
<b>Borough Council Outturn Net Budget Requirement</b>		<b>15,083</b>

### Council Tax, Business Rates and Sundry Debtor Collection

The collection statistics for 2008/09 were as follows:-

#### (1) COUNCIL TAX

##### COUNCIL TAX COLLECTION RATE

<b>QUARTER</b>	<b>2005/2006 results</b>	<b>2006/2007 results</b>	<b>2007/2008 results</b>	<b>2008/09 results</b>
1	30.21%	30.03%	29.94%	29.93%
2	28.29%	28.15%	28.27%	28.41%
3	28.29%	28.44%	28.20%	28.09%
4	11.01%	11.38%	11.57%	11.19%
<b>ANNUAL TOTAL</b>	<b>97.80%</b>	<b>98.00%</b>	<b>97.98%</b>	<b>97.64%</b>

##### VALUE OF PREVIOUS YEAR'S COUNCIL TAX COLLECTED BY QUARTER

<b>QUARTER</b>	<b>2005/2006 results £000</b>	<b>2006/2007 results £000</b>	<b>2007/2008 results £000</b>	<b>2008/2008 results £000</b>
1	179	296	199	224
2	147	221	105	154
3	120	129	73	50
4	91	37	-39	77
<b>ANNUAL TOTAL</b>	<b>537</b>	<b>683</b>	<b>338</b>	<b>505</b>

##### COUNCIL TAX ARREARS ANALYSES

###### ***Analysis of arrears predating 1<sup>st</sup> April 2008:-***

Arrears at 31<sup>st</sup> March 2008 were: £ 1,908,786.06

Arrears at 31<sup>st</sup> March 2009 were: £800,955.66

Arrears are reduced by: £1,107,830.40

Of the £1,908,786.06 arrears outstanding as at 31<sup>st</sup> March 2008 £800,955.66 remains outstanding as at 31<sup>st</sup> March 2009. This is a reduction of 58.04%. In 2007/08 the reduction in arrears predating 1<sup>st</sup> April 2007 was 56.52%

###### **Arrears analysis including 2008/09:-**

Arrears at 31<sup>st</sup> March 2008 were: £1,908,786.06

Arrears at 31<sup>st</sup> March 2009 (including those relating to 08/09): £1,965,282.54

Arrears have increased by : £56,496.48

This is an increase in arrears of 2.96%. In 2007/08 the arrears including those relating to 2007/08 increased by 1.94%.



Council Tax, Business Rates and Sundry Debtor Collection

(2) BUSINESS RATES (NNDR)

**NNDR COLLECTION RATE**

<b>QUARTER</b>	<b>2005/2006 results</b>	<b>2006/2007 results</b>	<b>2007/2008 results</b>	<b>2008/2009 results</b>
1	32.60%	32.60%	30.80%	29.67%
2	29.60%	28.80%	31.89%	31.72%
3	24.40%	26.10%	25.72%	26.91%
4	11.00%	11.20%	10.29%	9.98%
<b>ANNUAL TOTAL</b>	<b>97.60%</b>	<b>98.70%</b>	<b>98.70%</b>	<b>98.28%</b>

**VALUE OF PREVIOUS YEAR'S NNDR COLLECTED BY QUARTER**

<b>QUARTER</b>	<b>2005/2006 results £000</b>	<b>2006/2007 results £000</b>	<b>2007/2008 results £000</b>	<b>2008/09 results £000</b>
1	79	254	-241	77
2	-139	-65	-98	-61
3	-149	-34	75	145
4	-22	-17	-104	-185
<b>ANNUAL TOTAL</b>	<b>-231</b>	<b>138</b>	<b>-368</b>	<b>-24</b>

**NNDR ARREARS ANALYSES**

***Analysis of arrears predating 1<sup>st</sup> April 2008***

Arrears @ 31<sup>st</sup> March 2008 were: £694,780.24

Arrears @ 31<sup>st</sup> March 2009 were: £184,282.38

Arrears have reduced by: £510,497.86

Of the £694,780.24 arrears outstanding as at 31<sup>st</sup> March 2008 £184,282.83 remains outstanding as at 31<sup>st</sup> March 2009. This is an arrears reduction of 73.48%. In 2007/08 the reduction in arrears predating 1<sup>st</sup> April 2007 was 4.28%, however please note that the previous years figures had been adjusted to take into account backdated rateable increases which on this figure.

***Arrears analysis including 2007/2008:-***

Arrears at 31<sup>st</sup> March 2008 were: £694,780.24

Arrears at 31<sup>st</sup> March 2009 (including those relating to 08/09) £660,508.27

Arrears have reduced by: £34,271.91

This is an increase in arrears of 4.93%. In 2008/09 the arrears including those relating to 2008/09 increased by 85.09%.

Appendix C (continued)

Council Tax, Business Rates and Sundry Debtor Collection

(3) SUNDRY DEBTORS

**NUMBER OF OUTSTANDING SUNDRY DEBTOR ACCOUNTS AT QUARTER END - (net of instalment/direct debit invoices)**

<b>QUARTER</b>	<b>2005/2006 results £000</b>	<b>2006/2007 results £000</b>	<b>2007/2008 results £000</b>	<b>2008/09 results £000</b>
1	257	280	219	252
2	320	n/a	230	n/a
3	283	230	252	408
4	243	263	224	238

Sundry Debtors

The cash value of outstanding sundry debtor invoices at 31<sup>st</sup> March 2009 was £1.995 million as compared to £2.078 million at 31<sup>st</sup> March 2008. The number of outstanding non-instalment invoices increased from 224 to 238 between 31<sup>st</sup> March 2008 and 31<sup>st</sup> March 2009. This is a increase of 6.25%.

Sundry debtor write offs in 2008/09 amounted to £8,241.53 compared with £16,612.65 in 2007/08.

## Summary of Revenue Reserves &amp; Balances

Revenue Reserves	Actual Balance 31 March 2009 £'000	Projected Balance 31 March 2010 £'000	Projected Balance 31 March 2011 £'000	Projected Balance 31 March 2012 £'000	Projected Balance 31 March 2013 £'000
General Fund	3,392	3,392	3,392	3,392	3,392
Area Committees	53	53	53	53	53
Asset Management	2,099	2,417	2,343	1,884	2,261
Borough Council Elections	60	90	120	82	112
Building Control	5	-83	-183	-295	-417
Housing Needs Survey	17	25	33	41	49
ICT Strategy	1,484	1,252	1,287	1,564	1,811
Local Development Framework	152	12	12	12	12
Other Earmarked Reserves	548	546	546	546	546
Pension Fund	38	8	0	0	0
Public Open Space funds	2,066	2,007	1,948	1,889	1,830
Single Status/Equal Pay	782	475	223	-32	-32
Vehicles & Plant Replacement	76	76	76	76	76
Leisure Sites Repair & Mtce	92	92	92	92	92
<b>Total</b>	<b>10,864</b>	<b>10,362</b>	<b>9,942</b>	<b>9,304</b>	<b>9,785</b>

**Budget Items Listed for Carry Forward from 2008/09 into 2009/10**
**Appendix E**

The following items relate to budget underspendings in 2008/09 for which expenditure has been deferred to 2009/10:-

<b>Revenue Budget to be carried forward from 2008/09 to 2009/10</b>		
<b>£ 000</b>		
<b>Corporate and Support Services</b>		
IT Bereavement Counselling Income	LCC funding for "Tell Us Once" initiative re Bereavement Service.	53
Housing Benefit – External Income	Government Grant funding for changes in working legislation – under spend to be carried forward	74
<b>Cultural and Community Services</b>		
Museum	Income received from Manchester City Council for Website construction project not yet completed.	2
Museum	Balance of income received from Alcoa for Local Heritage Education Project.	6
South Ribble Partnership	External Partnership Funding committed to spend in 2009/2010	14
Cultural Heritage Project	Income received from Alcoa for Cultural Heritage Project – project to be completed 2009/2010	3
Joined Up Services for Young People	External Funding received from various sources – three year project running until mid 2010	7
Town Twinning	Planned visit of officials delayed till beginning of April.	1
Arts Development Health Project	External funding received from various sources committed to spend on projects in 2009/2010	12
Arts Development	External funding received from various sources earmarked for spend 2009/2010	15
Arts Development	Under spend on Arts Project in year	4
<b>Public Health and Housing</b>		
Sanctuary Scheme	Balance from external funding to be carried forward to support scheme in 2009/2010	22
Homeless Priority Needs	Communities & Local Government funding held back awaiting permission to participate in Mortgage Rescue Scheme.	5
<b>Capital Financing</b>		
Capital Contribution from Revenue	Slippage on capital project (footpath & cycleway)	14
<b>Total to be carried forward to 2009/10</b>		<b>232</b>

**Medium Term Financial Strategy  
Revenue Budget Forecasts  
2009/10 – 2012/13**

	2009/10	2010/11	2011/12	2012/13
	£'000	£'000	£'000	£'000
Net Expenditure	17,447	18,384	18,943	19,840
Financed By:				
Revenue Support Grant (*)	(7,464)	(7,534)	(7,534)	(7,534)
Council Tax (**)	(7,465)	(7,652)	(7,843)	(8,039)
Parish/Town Council Precepts	(238)	(238)	(238)	(238)
Efficiencies	(2,280)	(1,993)	(1,790)	(1,790)
General Reserve (contribution from)	0	0	0	0
Total Funding	17,447	17,417	17,405	17,601
<b>Forecast Funding Gap</b>	<b>0</b>	<b>967</b>	<b>1,538</b>	<b>2,239</b>

## Glossary of Terms

## Appendix G

AES	-	Annual Efficiency Statement
BVACOP	-	Best Value Accounting Code of Practice
C/F	-	Carried Forward
CFR	-	Capital Financing Requirement. The Council's underlying need to borrow for a capital purpose. This is a gauge for the Council's debt position
CPA	-	Comprehensive Performance Assessment
CIPFA	-	Chartered Institute of Public Finance and Accountancy
DCLG	-	Department for Communities and Local Government
DSO	-	Direct Service Organisation
Earmarked Reserves	-	Reserves for a specific purpose representing funds set aside to meet known or predicted liabilities
EMS	-	Enterprise Managed Service
FRS	-	Financial Reporting Standard
FRS8	-	Financial Reporting Standard - Related Party Disclosures
FRS17	-	Financial Reporting Standard - Retirement Benefits
GAD	-	Government Actuarial Department
LASAAC	-	Local Authority (Scotland) Accounts Advisory Committee
LCC	-	Lancashire County Council
ODPM	-	Office of the Deputy Prime Minister
RICS	-	Royal Institution of Chartered Surveyors
SAS	-	Statement of Auditing Standards
SIC	-	Statement of Internal Control
SMT	-	Senior Management Team
SOLACE	-	Society of Local Authority Chief Executives
SORP	-	Statement of Recommended Practice
SRBC	-	South Ribble Borough Council
SRCLL	-	South Ribble Community Leisure Ltd
SSAP	-	Statement of Standard Accounting Practice
UKGAAP	-	Generally Accepted Accounting Practice in the United Kingdom
VFM	-	Value for Money
WGA	-	Whole of Government Accounts