

REPORT TO	DATE OF MEETING
Governance Committee	14 June 2010

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SUBJECT	PORTFOLIO	AUTHOR	ITEM
South Ribble Borough Council Statement Of Accounts 2009/10	Finance & Resources	M Nuttall	8

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 2009/10 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 31st March 2010.

The Council's draft and unaudited Statement of Accounts for the year ended 31st March 2010 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 12 to 19 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 2009/10 listed at Appendix B;
3. approve that the budget items listed at Appendix E are carried forward to 2010/11;
4. approve the financing of the capital programme for 2009/10 and the carry forward of capital re-phasing to 2010/11 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;
6. approve the Statement of Accounts for 2009/10 which incorporates the Annual Governance Statement (Appendix A);
7. note that the Statement of Accounts has been prepared on the basis that the impairment associated with the Icelandic deposits is accounted for in 2009/10.

EXECUTIVE SUMMARY

The main points arising from this report are:

1. The actual net revenue expenditure of the Council for 2009/10 was £15.323 million, this gives a deficit to be funded from general reserves of £0.089 million. The expected financial position at year end previously reported to Members was an expected deficit to be funded from general reserves of £0.185 million. This equates to an improvement in performance of £0.096 million and is principally due to additional efficiencies achieved (£0.272 million), receipt of a refund of Value Added Tax (VAT) (£0.515 million), a higher amount of Housing Benefit Subsidy income (£0.175 million) than anticipated, offset by a one-off Icelandic bank deposit impairment charge

(£0.989 million). Allowing for the exceptional one-off VAT refund and the Icelandic bank deposit impairment the year end position would have resulted in a contribution of £0.385 million to the general reserve, an improvement of £0.570 million when compared with the revised estimate.

2. The final position for 2009/10 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 strengthening the medium term financial planning process for 2010/11 and subsequent years.
3. The Council is currently forecast to exceed the Government's efficiency target for the three years ending 31st March 2009, i.e. cumulative efficiencies of £2.640 million as at the end of 2009/10 compared against a target for £1.030 million.
4. All of the minor external audit issues raised in relation to the audit of 2008/09 accounts have been addressed.
5. The Financial Statements for 2009/10 have been prepared in accordance with CIPFA's Statement of Recommended Practice.
6. For 2009/10, there is a requirement for an audited Whole of Government Accounts (WGA), return to be submitted by 1st October 2010.

DETAILS AND REASONING

Within this report below, Section A contains more detail in relation to the Financial Statements for 2009/10 and in Section B sets out the Council's Medium Term Financial Strategy in future years.

SECTION A - Financial Statement of Accounts 2009/10

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 2009/10 Statement of Accounts no later than 30th September 2010.

This report has been prepared to enable the Council to comply with the regulations in respect of the financial year ending 31st March 2010.

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 be noted, however, 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 Monday 19th July 2010 for a period of 20 working days. The appointed day, on which electors may meet and question the Council's External Auditors in connection with their audit of the 2008/09 Statement of Accounts, has been designated as Monday 16th August 2010.

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 concerning the Council's financial performance in 2009/10.

Members should note that, the Treasury's code for fiscal stability published in 1998 contains specific provisions relating to the production of the 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 NET EXPENDITURE

Members will note that in setting the revised budget for 2009/10 it was anticipated that a net contribution of £0.185 million would be released from the general reserve to balance the Council's overall revenue budget. Taking into account the final actual out-turn position, it is now proposed that this amount is revised to £0.089 million. In addition to this, in the light of the financial risks that face the Council there are some proposed changes to the contributions to and from specific (earmarked) reserves.

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

With regard to the income streams reported throughout the year the actual out-turn position achieved is as follows:-

Income Budgets	Revised Budget 2009/10	Actual Out-turn 2009/10	Variation to Budget 2009/10
Investment property Income	£941,000	£991,000	£50,000
Bulk Containers	£350,000	£350,000	-
Planning Fee Income	£300,000	£364,000	£64,000
Building Control Income	£200,000	£212,000	£12,000
Land Charges	£110,000	£115,000	£5,000
Car parking Income	£100,400	£98,200	(£2,200)
Recycling	£195,000	£195,000	-

CAPITAL EXPENDITURE & RECEIPTS

The original capital allocation for 2009/10 was revised during the year from £4,190,966 to £3,322,064 in order to incorporate the re-phasing of some capital projects from 2008/09. The major areas of capital expenditure and sources of funding are as follows:-

CAPITAL EXPENDITURE & FINANCING 2009/10	
	£000
Capital Expenditure	
Playgrounds, Recreation Areas & Open Spaces	164
Housing Grants	1,752
Asset Management	79
Vehicles, Plant and Equipment	12
Information Technology and communications	141
Regeneration	33
Leisure Centre Assets	40
Legal and Member support	17
Other Community Facilities	32
Total capital expenditure	2,270
Financing	
Deferred Purchase (leisure partnership)	40
Government Grants	1,757
Developers' contributions	46
Fund balances & reserves	234
Capital receipts	7
Revenue contributions	28
Borrowing	0
External Contributions	158
Total Financing of capital expenditure	2,270

The capital expenditure final actual out-turn for 2009/10 is £2,269,694 against a Revised Estimate of £3,322,064. The main reasons for the variations are summarised below:

CAPITAL EXPENDITURE 2009/10		
	£'000	£'000
Revised Estimate for 2009/10 (to Cabinet 10th February 2010)		3,322
LESS Re-phasing into 2010/11:		
Finance & Resources		
Asset Management - <i>General re-phasing across a number of schemes</i>		(301)
Parks, Play areas & open spaces		
Works due to be completed in 2010/11:		
<i>Farrington Park play area</i>	(25)	
<i>Withy Grove Park</i>	(20)	
<i>Tardy gate Play Area (lighting and footpath works)</i>	(33)	
<i>Various other schemes</i>	(17)	(95)
Corporate & Support		
IT Schemes – <i>re-phasing of projects</i>		(176)
<i>Re-phasing of expenditure includes: Webstructure/Internet £40k; HR system £30k; Cash receipting system £40k; Customer Contact centre £30; Telephony £17k</i>		
Public Health & Housing		
Home purchase assistance grant		(10)
Regeneration and Planning		
Regeneration schemes – re-phasing in implementation		(133)
Street Scene		
Vehicles & plant replacements		
<i>Budget re-phased, pending outcome of waste service review</i>	(185)	
Replacement of diesel tank delayed until 2010/11	(20)	(205)
Total Re-phasing into 2010/11		(920)
PLUS Underspends during the year:		
Finance and Resources		
Asset Management – cumulative underspends in year		(42)
Corporate & Support		
IT Schemes – budget underspendings		(80)
Public Health & Housing		
Housing Strategy Grants		(50)
Total Underspend Achieved 2009/10		(172)
NET CAPITAL EXPENDITURE VARIATION		(1,092)
Leisure Partnership Investment		40
OUTTURN CAPITAL EXPENDITURE 2009/10		2,270

The re-phased expenditure will, on approval, be incorporated into the 2010/11 Capital Programme.

Icelandic Bank Investments (Note 10 to the Statement of Accounts)

The Council has investments totalling £5.0m in the failed Icelandic Banks Landsbanki and Heritable. This is the second Statement of Accounts that has had to deal with the financial implications of this situation. The adjustments made use the methodology set out in guidance issued by both CIPFA and the Local Authority Accounting Panel in Bulletin 82, and accords with Statutory Instrument 2009 No 321. The figures have been further reviewed in light of information made available to creditors, and have been adjusted to reflect actual monies repaid by Heritable Bank. The Council is required to recognise that it is unlikely to recover the full amount invested and it has to make a provision, known as an impairment. This is then offset by an estimate of the interest that is due to the Council as at 31st March 2010. The regulations allow for the impact on the accounts to be deferred until 2010/2011, however, given the financial position of the Council, the cost of the impairment, £0.989 million, has been charged to the General Fund in 2009/10.

It should be noted that since the Statement of Accounts was finalised a further updates of LAAP Bulletin 82 has been received. Although the information was not received in time to update the Statement of Accounts the financial consequences have been assessed. It would have resulted in an estimated additional impairment charge of £0.045m. This is mainly attributable to the guidance in respect of recovering monies from Landsbanki (additional impairment of £0.133m) as although the proportion of original investment to be returned has increased from 85% to 95% the repayment period has been extended until 2018. This is offset by a more favourable position with regard to Heritable Bank which would reduce the impairment charge by £0.088m.

The accounting guidance continues to be updated as further information as to the value and timing of the recovery of Icelandic deposits is published. Therefore, the latest guidance will be used as the basis of compiling the post audit accounts due to be considered by the Committee in September 2010.

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 in respect of Landsbanki would have a significant effect, reducing the recoverable amount to possibly 38%.
2. The impact of exchange rate fluctuations on asset recovery (by the administrator) and settlement of the authority's claim.

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.

K. J. Property Consultancy was commissioned to undertake this work in 2009/10 and the Council's Estates Surveyor also carried out some valuations.

In total 54 assets were re-valued during the year.

Pleasingly, in the current economic climate, Council Tax in-year collection rates in 2009/10 were almost exactly the same as in 2008/09. There was a slight reduction in the NNDR collection rate (98.28% - 97.28%) due to the impact of the Business Rate deferral scheme which affected Business Rate bills in the latter half of the financial year. Businesses paid reduced instalments from October onwards. Full analyses are shown in the statement at Appendix C.

Debtors

Members will note from the draft Balance Sheet that total debtors at the 31st March 2010 amounted to £6.922m compared with £3.872m (restated figure – see note 19) at 31st March 2009, which is an increase of £3.050m.

This is mainly due to the creation of a consolidated National Non Domestic Rate (NNDR) debtor of £1.909m which is due to a change in accounting practice from 2009/10. This is explained in the notes to the Collection Fund account (note 2) in the 2009/10 Statement of Accounts. Other movements include; Performance Reward Grant of £0.478m accrued at 31st March 2010, an increase of £0.280m in the balance on the DWP housing benefit subsidy grant debtor plus £0.109m income due from Lancashire County Council and the Ministry of Justice for the reimbursement of costs incurred in relation to the European and County Elections.

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.

The sundry debtors outstanding at 31st March 2010 included one large value invoice. Details are:-

Debtor	£'000	Details
A N Other	226	Recovery of costs from a third party.

Negotiations have been ongoing during the course of the last financial year. We are now in the latter stages of the legal recovery processes and will be seeking to bring a resolution to this during the coming months.

Creditors

Total creditors at the 31st March 2010 amounted to £4.029m compared with £3.550m (restated figure) at 31st March 2009, which has increased by £0.479m.

This is mainly due to the year end charge of £0.509m in respect of the Shared Financial Services Partnership with Chorley Council.

Revenue Reserves

The Council's accounting policy on reserves is included in the accounting policies contained in the Statement of Accounts (note d in Statement in Accounting Policies).

The following table shows the Council's overall level of revenue reserves as at 31st March 2009 and 31st March 2010, subject to the approval of the Statement of Accounts as drafted. This shows a General Fund balance of £3.303 million at 31st March 2010. The overall level of reserves has increased by £0.267 million mainly due to the transfer of Performance Reward Grant (£0.239m) into reserves in the year, as explained within this report.

REVENUE RESERVES	31 st March 2009 £'000	31 st March 2010 £'000
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General Fund Reserve	3,392	3,303
Earmarked and other Reserves	7,472	7,739
Total	10,864	11,042

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 Term Financial Strategy, the Council has acknowledged the longer term demands on certain reserves and accommodated these within its Medium Term Financial Strategy 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.

The Annual Governance Statement

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the delivery of its services, having regard to a combination of economy, efficiency and effectiveness. This requires the Council to put in place proper arrangements for the governance of its affairs to support the achievement of its objectives, including the management of risk.

There is also a statutory requirement for the Council to conduct a review (at least once in a year) of the effectiveness of the internal control environment and to publish a statement on the adequacy of the system with its annual accounts. This statement is referred to as the Annual Governance Statement (AGS) and replaces the Statement of Internal Control that was presented in previous years.

The Council has adopted a Local Code of Governance that is consistent with best practice principles for public services and in particular for local government. The AGS demonstrates our compliance with the Local Code and explains our governance arrangements, how these were evaluated and future plans to improve and strengthen the governance environment.

Both the Annual Governance Statement and an updated version of the Local Code of Governance are the subject of more detailed reports elsewhere on the Committee's agenda.

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, Deputy Chief Executive, 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 faces a number of significant issues, however, 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, future government funding/spending priorities and expected recovery of Icelandic bank deposits. 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 income. As outlined earlier in the report, in setting the revised budget for 2009/10 it was anticipated that a contribution of £0.185m be released from the general reserve. Taking into account the outturn position it is now proposed to revise this to a contribution of £0.089m. The Council's previously agreed target level for General Fund is 10% of the net budget requirement which for 2010/11 would be approximately £1.5m.

The 2009/10 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 and recovery of Icelandic bank deposits. In light of all these factors it is important to consider that this reserve may be needed to 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

The balance on this reserve as at the 31st March 2010 is £0.021m and this represents unspent amounts carried forward to fund Area Committees expenditure.

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 and 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 reserve has been built up to meet the costs 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. As the Committee will be aware from in year monitoring reports, 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 on the reserve which was brought forward at 1 April was £4,000 which has been used to fund the net deficit in the service in 2009/10 of £30,000. The balance (£26,000) has been funded from general reserves.

At the end of the first quarter of the financial year, through regular monitoring of performance, it was becoming apparent that fee income in Building Control was likely to be significantly below the original budget forecast of £288,000. The main cause of the reduced levels of income arose from the national problems of the recession and its impact on the construction industry.

A number of actions were put in place including a concentrated effort to win more work for the Council away from private sector Approved Inspectors. To this end the Building Control Manager approached a number of Architects and developers to promote the Council's service and to outline the benefits of South Ribble carrying out the necessary inspections. A number of promises were received that more work would be offered to the Council, particularly future projects. This coupled with a slight upturn in the building industry has seen a steady increase in fee income. Consequently at the end of the financial year fee income was £212,000 compared to the revised estimate forecast of £200,000.

In addition, as might be expected there has been not only close control of expenditure, but also innovative approaches to covering Service costs by reviewing fees, introducing charges for Personal Searches and for Street Naming and Numbering. Staff were also seconded to cover for long term sickness in the Housing section carrying out technical inspections.

For the coming year, the Building Control Manager has continued with the personal approach to potential customers and has won back work from the Fire Service, and indications are the Schools work in Lancashire will come to South Ribble. The impact of this is difficult to gauge as it is too early in the new financial year to undertake meaningful forecasts.

For the coming year internal costs have also been reduced through the departure of a Building Control Inspector and the consequent saving by removing the post from the establishment.

Housing Needs Survey

This reserve is used to meet the costs of carrying out a detailed housing needs survey. The contributions to this reserve are based on the anticipated costs of conducting the next survey in 2012/13.

Performance Reward Grant

As the accountable body the Council received Performance Reward Grant of £0.478m for 2009/10 in April 2010 on behalf of the South Ribble partnership. 50% of the funding is for capital projects and 50% revenue. The balance in the reserve represents the revenue grant which has been set aside to be spent from 2010/11 onwards. The capital element is shown in the balance sheet as a capital grant unapplied.

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

Funding from this reserve is gradually being introduced to the budget over the period of the medium term financial strategy to partially offset the additional costs following the implementation of the Fair Pay scheme in 2007/08. The balance on the fund as at 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 to fund future acquisitions.

ICT Strategy Reserve

The balance on the ICT Reserve at 31st March 2010 amounts to £1.550m out of which spending plan are in existence for 2010/11 and 2001/12 for PC replacements, CRM software and IT Replacement Programme including the Financial Management Information System.

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 £0.212m.

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 2009 was £0.548m. Approved transfers during the year reduced this reserve by £0.264m, and the proposed amounts to be carried forward from 2009/10 will add £0.135m.

Pension Fund

This reserve was set up to fund any liability in relation to initial increased pension costs payable to South Ribble Community Leisure Limited (SRCLL) arising from the Leisure Services Agreement. During the year, £0.030m was utilised which leaves a balance of £0.008m as at 31 March 2010.

Efficiency targets

A key element of the Council's Strategic Planning, Budgeting and Performance Monitoring processes is the identification, approval and achievement of budgetary savings. These are important to help achieve the Council's corporate aspirations and to ensure that resources are committed towards the highest priority service areas.

Efficiency savings form part of the Council's budget plans but they are also used to demonstrate compliance and achievement of the government Value for Money (VfM) gains. Whilst these two things are complimentary there are important differences.

Budget Efficiency Savings/Additional Income

These are the actual cash savings that are generated within the Council. They are reflected in the Council's approved budget and under/over achievement impacts directly on the Council's financial position. The original budget for 2009/10 included an efficiency target totalling £2.280m, this was revised down to an expected target at year of £2.030m however performance subsequently improved significantly and the actual out-turn position achieved totalled £2.302m of which £1.384m is ongoing savings that will have a year on year benefit as set out in Appendix G.

Value for Money Gains (NI 179)

These are targets set at a national level for local authorities as a whole and are monitored by use of information that local authorities are required to provide for National Indicator 179 (NI 179). This is defined as,

“The total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year.”

The 2007 Comprehensive Spending Review (CSR07) introduced targets (recently updated) to give the following trajectory for VfM gains, using the 2007/08 baseline expenditure figure of £16.882m, this produces the following required VfM gains:

Year	2008-09	2009-10	2010-11
Target (% of 2007-08 baseline)	3%	6.1%	9.3%
Indicative Target (£000)	506	1,030	1,739
Cumulative Total Achieved (£000)	1,395	2,640	2,679

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, therefore the above targets are indicative. However, the council recognises the need to understand its own baseline for the purposes of measuring improvement over the next three years. Please note, as above, these figures are in respect of the Council's achievements against the NI 179 national target and the Council still needs to realise the budgetary efficiency savings and additional income targets as set out in the budget report in order to balance its budget.

Assumptions have been made in 2010/2011 to ensure that the Council achieves the efficiency targets that have been set, whilst balancing the overall impact on the budget and the inherent risks associated with such targets.

It is considered that these targets are both realistic and deliverable in the context of the total council budget. However, any failure to deliver the cashable savings assumed would, in isolation, lead to a funding shortfall. It is therefore recognised that it is essential to convert the savings into specific targets with clear ownership and action plans and these are set set out in the 2010/2011 Budget Setting Report

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.

FINANCIAL	As set out in the report
LEGAL	This report is required in line with the Accounts and Audit Regulations 2003.
RISK	Risks are as identified within the report..
OTHER (see below)	

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, 11th February 2009
- South Ribble Borough Council Statement of Accounts 2008/09 – Governance Committee, 30th June 2009, and 22nd September 2009
- 2009/10 Whole of Government Accounts returns guidance – issued by the Department for Communities and Local Government.
- Financial Strategy/Budget and Council Tax 2010/11 – Cabinet, 10th February 2010

APPENDICES

Appendix A	Statement of Accounts including the Annual Governance Statement for South Ribble Borough Council for year ended 31 March 2010. (For Approval)
Appendix B	Significant Budget Variances in 2009/10 (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 2010/11
Appendix F	Medium Term Financial Strategy Revenue Budget Forecasts 2010/11 – 2013/14
Appendix G	Efficiency Targets for 2009/10 – Revised Estimate Compared to Actual Year End Out-turn
Appendix H	Glossary of Terms

Significant Budget Variances in 2009/10

The table below identifies the main variations between the outturn Net Budget Requirement and the Revised Estimate for 2009/10.

	£'000	£'000
Borough Council Net Expenditure (Revised Estimate)		15,368
BUDGET VARIATIONS		
Higher Income Receivable:		
Housing Benefit Subsidy	(175)	
VAT refund	(515)	
Performance Reward Grant	(239)	
Planning fee income	(64)	
Waste collection charges	(91)	
Investment Property Income	(22)	
Lower Income:		
Court Costs reclaimed	50	
Lower Costs:		
Publicity and Promotion	(27)	
Employee Related Expenses	(76)	
Stationery & Postage	(24)	
Transport Costs	(46)	
IT services	(33)	
Increased Costs:		
Water charges	27	
Bad Debt Provision	134	
Icelandic Deposit Impairment Charges	989	
Additional budgetary efficiencies achieved	(272)	
Revenue Budget underspends carried forward to 2010/11	(135)	
Other Variations (net)	(109)	
TOTAL BUDGET SAVINGS	(628)	
Less: Reduced Capital Contributions	2	
Plus: Higher Contributions to General Reserves	581	
TOTAL VARIATIONS		(45)
Borough Council Net Expenditure (Revised Estimate)		15,323
Reduction in General Fund Balance - variation		(89)
Borough Council Out-turn Net Budget Requirement		15,234

Council Tax, Business Rates and Sundry Debtor Collection

The collection statistics for 2009/10 were as follows:-

(1) COUNCIL TAX

Council Tax In-Year Collection

Quarter	2006/2007 Results %	2007/2008 Results %	2008/2009 Results %	2009/2010 Results %
1	30.03	29.94	29.93	29.86
2	28.15	28.27	28.41	28.40
3	28.44	28.20	28.09	28.21
4	11.38	11.57	11.19	11.14
ANNUAL TOTAL	98.00	97.98	97.64	97.61

Value of Previous Year's Council Tax Collected by Quarter

Quarter	2006/2007 results £000	2007/2008 results £000	2008/2009 results £000	2009/2010 results £000
1	296	199	224	239
2	221	105	154	183
3	129	73	50	112
4	37	(39)	77	62
ANNUAL TOTAL	683	338	505	595

Collection of arrears improved on the previous two years, this was partly due to the reduced number of revaluations carried out by the Valuation Office Agency and the continued following of best practice of clearing older debts first. The older the debt the harder it is to collect.

COUNCIL TAX ARREARS ANALYSES

Analysis of arrears predating 1st April 2009:-

Arrears at 31st March 2009 were: £ 1,965,282.54

Arrears at 31st March 2010 were: £1,007,711.22

Arrears are reduced by: £957,571.32

Of the £1,965,282.54 arrears outstanding as at 31st March 2009 £1,007,711.22 remains outstanding as at 31st March 2010. This is a reduction of 48.72%. In 2008/09 the reduction in arrears predating 1st April 2008 was 58.04%

Arrears analysis including 2009/10:-

Arrears at 31st March 2009 were: £1,965,282.54

Arrears at 31st March 2010 (including those relating to 09/10): £2,278,372.25

Arrears have increased by : £313,089.71

This is an increase in arrears of 15.93%. In 2008/09 the arrears including those relating to 2008/09 increased by 2.96%.

(2) BUSINESS RATES (NNDR)

NNDR In-Year Collection

Quarter	2006/2007 Results %	2007/2008 Results %	2008/2009 Results %	2009/2010 Results %
1	32.60	30.80	29.67	31.30
2	28.80	31.89	31.72	30.40
3	26.10	25.72	26.91	26.30
4	11.20	10.29	9.98	9.28
ANNUAL TOTAL	98.70	98.70	98.28	97.28

The impact of the Business Rate deferral scheme didn't affect Business Rate bills until the latter half of the financial year. Businesses paid reduced instalments from October onwards. The effect can be clearly seen in Q3 & Q4.

Value of Previous Year's NNDR Collected by Quarter

Quarter	2006/2007 results £000	2007/2008 results £000	2008/2009 results £000	2009/2010 results £000
1	254	(241)	77	12
2	(65)	(98)	(61)	(287)
3	(34)	75	145	(224)
4	(17)	(104)	(185)	(209)
ANNUAL TOTAL	138	(368)	(24)	(708)

Large numbers of refunds outweighed the amount we collected against arrears again last year. Towards the end of the five year period covered by the "valuation list" the Valuation Office generally clears outstanding appeals businesses have made against rateable values. This results in back dated refunds covering a number of years. We refunded in excess of £ 1.5 million to Business Ratepayers in South Ribble last year.

NNDR ARREARS ANALYSES

Analysis of arrears predating 1st April 2009

Arrears @ 31 st March 2009 were:	£660,508.27
Arrears @ 31 st March 2010 were:	£189,125.75
Arrears have reduced by:	£471,382.52

Of the £660,508.27 arrears outstanding as at 31st March 2009 £189,125.75 remains outstanding as at 31st March 2010. This is an arrears reduction of 71.36%. In 2007/08 the reduction in arrears predating 1st April 2008 was 73.48%.

Arrears analysis including 2009/2010:-

Arrears at 31 st March 2009 were:	£660,508.27
Arrears at 31 st March 2009 (including those relating to 08/09)	£1,030,116.72
Arrears have increased by:	£369,608.45

This is an increase in arrears of 55.96%. In 2008/09 the arrears including those relating to 2008/09 increased by 4.93%.

(3) SUNDRY DEBTORS

Number of outstanding sundry debtor accounts at quarter end (net of instalment/direct debit invoices)

Quarter	2006/2007 results	2007/2008 results	2008/2009 results	2009/2010 results
1	280	219	252	342
2	n/a	230	n/a	216
3	230	252	408	n/a
4	263	224	238	172

Sundry Debtors

The cash value of outstanding sundry debtor invoices at 31st March 2010 was £2.220 million as compared to £1.995 million at 31st March 2009. The number of outstanding non-instalment invoices reduced from 238 to 172 between 31st March 2009 and 31st March 2010. This is a reduction of 27.73%.

Sundry debtor write offs in 2009/10 amounted to £12,680.20 compared with £8,241.53 in 2008/09.

Appendix D

Summary of Revenue Reserves & Balances

Revenue Reserves	Actual Balance 31 March 2010 £'000	Projected Balance 31 March 2011 £'000	Projected Balance 31 March 2012 £'000	Projected Balance 31 March 2013 £'000	Projected Balance 31 March 2014 £'000
General Fund	3,303	2,654	2,654	2,654	2,654
Area Committees	21	0	0	0	0
Asset Management	2,418	1,954	1,771	918	969
Borough Council Elections	90	120	47	77	107
Building Control	0	(88)	(107)	(138)	(179)
Housing Needs Survey	5	13	21	9	17
ICT Strategy	1,550	1,012	1,047	787	524
Local Development Framework	212	192	192	192	192
Pension Fund	8	0	0	0	0
Performance Reward Grant	239	0	0	0	0
Public Open Space funds	1,948	1,889	1,830	1,771	1,712
Single Status/Equal Pay	625	222	0	0	0
Vehicles & Plant Replacement	112	112	112	112	112
Leisure Sites Repair & Mtce	92	92	92	92	92
Other Earmarked Reserves	419	402	402	402	402
Total	11,042	8,574	8,061	6,876	6,602

Appendix E

Budget Items Listed for Carry Forward from 2009/10 into 2010/11

The following items relate to budget underspendings in 2009/10 for which expenditure has been deferred to 2010/11:-

Revenue Budget to be carried forward from 2009/10 to 2010/11		
		£ 000
Street Scene Services		
Parks Development	Committed to grounds maintenance works which slipped into 2010/11.	6
Waste Management	Slippage of funding for the one-off costs of implementing the changes to the Waste service	25
Leisure and Cultural Services		
South Ribble Partnership	External Partnership Funding committed to spend in 2010/2011 and 2011/12	40
Climate Change	Committed to SRP/Living Smart Project 2010/11	6
Arts Development Health Project	External funding committed for Website /seminar in 2010/11	2
Arts Development	External funding carried forward	6
Leisure Partnership	Underspend in budget set aside for fees associated with establishing the new dual use agreements	50
Total to be carried forward to 2010/11		135

Medium Term Financial Strategy

Revenue Budget Forecasts 2010/11 to 2013/14

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Net Expenditure	16,569	17,780	18,554	19,075
<i>Financed By:</i>				
Revenue Support Grant	7,534	7,534	7,534	7,534
Council Tax	7,478	7,665	7,856	8,053
Parish/Town Council Precepts	238	238	238	238
Efficiencies	920	940	890	890
General Reserve (contribution from)	399	0	0	0
	16,569	16,377	16,518	16,715
Forecast Funding Gap	0	1,403	2,036	2,360

Savings/Additional Income – Revised Estimate 2009/10 Compared with Actual Year End Outturn

AREA	Revised 2009/10 £'000	Ongoing £'000	Actual 2009/10 One-Off £'000	Total £'000
Legal & Democratic Services/Scrutiny	73	73	13	86
Area Working/Enforcement	88	80	8	88
Revenues, Benefits & BEU	98	9	97	106
ICT/Office Services	127	125	55	180
Planning/Building Control (Incl. Customer Service)	218	218	-	218
Housing	71	30	56	86
Commercial Services/ Caretaking/ Cleaning	80	46	22	46
Finance & Assurance Shared Services Partnership	65	68	6	74
Parks Development/ Grounds Maintenance/ Nursery	60	60		60
Community Safety Partnership	19	64		64
Policy & Community Engagement	79	79	22	101
Arts Development			7	7
General Admin/ Secretarial Support	20	20		20
Emergency Planning	18	18		18
Clerical Trainees	47	47		47
Grants/ Contributions	102	101		102
Subscriptions	10	10		10
Publicity	3	2		2
Training	25	25		25
Contaminated Land	28	28		28
Mystery Shopping	5	5		5
Worden Craft Units	3	3		3
Car Parking Charges	20	20		20
Car Parks			15	15
Licensing	10	16		16
Pest Control	10	5		5
Investment Property			28	28
Court Costs Recovered	40			0
Planning Delivery Grant	248		248	248
Regeneration	10		3	3
General Efficiencies	178	102	217	319
Capital Programme	275	130	121	251
TOTAL	2,030	1,384	918	2,302
		Over-achievement		(272)
				2,030

Glossary of Terms

AES	-	Annual Efficiency Statement
Authorised Borrowing Limit	-	The “Affordable Borrowing Limit” required by s3 of the Local Government Act 2003
B/F	-	Brought Forward
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
LIBID	-	London Interbank Bid Rate
NPHA	-	New Progress Housing Association
Operational Boundary	-	The expected borrowing position of the Council during the year
PWLB	-	Public Works Loans Board – part of the UK Debt Management Office. An independent and statutory body which provides loans to local authorities and other prescribed bodies for which the rates of interest are determined by HM Treasury
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

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these. The risk assessment which has been carried out forms part of the background papers to the report.

FINANCIAL			
LEGAL			
RISK	The full risk assessment forms part of the background papers to this report. The main points for consideration are summarised here:-		
OTHER (see below)			
<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

BACKGROUND DOCUMENTS

Risk Assessment