

 EXECUTIVE 4 June 2008		Agenda Item No.
Title	Final Accounts 2007/08	
For further information about this report please contact	Marcus Miskinis Tel: 01926 456804 Marcus.miskinis@warwickdc.gov.uk	
Service Area	Finance	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	N/A	
Background Papers	23 October 2006: Fees and Charges 2007/08 12 December 2006: Approval of General Fund Base Estimates 2006/07 Revised and 2007/08 Estimates Approval of Housing Revenue Account Estimates 2006/07 Revised and 2007/08 Base Estimates 12 February 2007: Budget 2007/08 and Council Tax – Revenue and Capital Housing Rents 2007/08 22 October 2007: Fees and Charges 2008/09 10 December 2007: Approval of General Fund Base Estimates 2007/08 Revised and 2008/09 Estimates Approval of Housing Revenue Account Estimates 2007/08 Revised and 2008/09 Base Estimates	
Contrary to the policy framework:	No	
Contrary to the budgetary framework:	No	
Key Decision?	Yes	
Included within the Forward Plan? (If yes include reference number)	Yes Ref 98	

Officer/Councillor Approval		
With regard to officer approval all reports <u>must</u> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Relevant Director	16 May 2008	Mary Hawkins
Chief Executive	16 May 2008	Chris Elliott
CMT	16 May 2008	
Section 151 Officer	16 May 2008	Mary Hawkins
Legal	15 May 2008	Simon Best
Finance	n/a	Finance report
Portfolio Holder(s)	19 May 2008	All
Consultation Undertaken		
Please insert details of any consultation undertaken with regard to this report.		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1 SUMMARY

1.1 The report provides details of the Council's final account position for the year ended 31st March 2008. The highlights from the accounts are:

- The revenue account shows an additional surplus of £1.8m over the Estimates after allowing for £734,000 of planned expenditure to be carried forward to 2008/09. This surplus primarily relates to £1.2m of additional Local Authority Business Growth Incentive (LABGI) grant.
- General Capital underspent by £3.8m. Of this, £1.8m related to two schemes funded by Advantage West Midlands, and £600,000 to ICT projects.
- The Council Tax collection rate was 98.9% and 99.1% for Business Rates, both of which are excellent.
- The Council purchased Oakley Wood during the year. Additional general capital receipts received during the year have enabled the wood to be funded from this source, as opposed to housing capital receipts as had been envisaged when the Revised Estimates and Budget were presented in February 2008.

2 RECOMMENDATIONS

2.1 It is recommended that:

- (a) the Capital Programme 2008/09 be increased by £1,887,500 for Housing Investment Programme and £3,749,400 for Other Services Capital schemes, being slippage for items not spent from the 2007/08 Programme, and reduced by £49,700 for Other Services in respect of work carried out in 2007/08 which was brought forward from 2008/09 (paragraph 7.4). That virement of £11,600 from the Kenilworth Town Centre Improvements project (£3,300) and the Tanyard Stream Flood Alleviation project (£8,300) be approved in order to finance the overspend on the Footpath Repairs and Improvements project;
- (b) the requests to carry £733,900 earmarked balances forward to 2008/09 be approved (paragraph 8.9 and Appendix 'F');
- (c) the General Fund balance be increased to £2,100,000 (paragraph 8.16);
- (d) the resulting surplus of the above decisions, amounting to £1,845,178 be appropriated to £200,000 to the Contingency budget for 2008/09, £200,000 to the Early Retirement Reserve, £1,445,178 to the General Fund Balance for further consideration as part of the 2009/10 budget setting (paragraph 9.1).

3 REASONS FOR THE RECOMMENDATIONS

3.1 The above recommendations will allow the accounts for the financial year 2007/08 to be closed on time and have been used as the basis for drafting the Statement of Accounts. The resultant decisions will be fed into the Financial Strategy.

3.2 The use of sub headings as illustrated allows the report author to provide a more structured approach to the report.

Section 6 - Background
Section 7 - Capital Expenditure
Section 8 - General Fund Revenue Expenditure
Section 9 - Treatment of General Fund Surplus
Section 10 - Reserves and Provisions
Section 11 - Housing Revenue Account
Section 12 - Housing Repairs and Major Repairs Allowance
Section 13 - Collection Fund
Section 14 – Conclusion

Appendix A - Capital Expenditure
Appendix B - Capital Funding
Appendix C - Capital Expenditure Reasons for Major Variations
Appendix D - Prudential Indicators
Appendix E - General Fund Expenditure
Appendix F - Earmarked Reserves Requests
Appendix G - Reserves and Provisions
Appendix H - Housing Revenue Account
Appendix I - Housing Repairs and Major Repairs Allowance
Appendix J - Collection Fund Income and Expenditure Account
Appendix K - Collection Fund Statistics
Appendix L - Glossary of Terms

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The report is a statement of fact. However, how the outcomes might be treated can be dealt with in a variety of ways, mainly the alternatives are not to allow any, or only some of the earmarked reserve requests and to allow the General Fund balance to vary from the £1.1m level, along with how the 2007/08 surplus is allocated.

5 BUDGETARY AND POLICY FRAMEWORKS

- 5.1 The Accounts 2007/08 is a historic account of the financial performance of that year and, therefore, identifies how well, or otherwise, the Budget and Policy frameworks have been complied with.

6 BACKGROUND

- 6.1 The accounts have been compiled so as to comply with the appropriate accounting standards and the Statement of Recommended Practice on Local Authority Accounting in Great Britain 2007.
- 6.2 Under the Accounts and Audit Regulations 2003 the Council's Statement of Accounts needs to be approved by the full Council within 3 months of the close of the financial year (i.e. 30th June).
- 6.3 The Statement of Accounts is currently being prepared. This is due to be considered by the Council on 25th June 2008. Regulations prohibit authority for the approval of the Statement of Accounts being delegated to the Executive.

- 6.4 An advertisement will be placed in local newspapers in July informing electors of their rights to inspect the accounts during July and August and to question the auditor about those accounts in late August (the Appointed Day – date still to be decided by the Audit Commission).
- 6.5 This is a complex report that brings together details of all of the Council's income and expenditure in 2007/08.

7 CAPITAL EXPENDITURE

- 7.1 The Council's plans for capital expenditure in 2007/08 totalled over £15.2m as set out below. The capital programme has been financed in accordance with that approved in the 2007/08 Treasury Management Strategy Document. The overall position is summarised below and in Appendix A:

TABLE A: Capital Expenditure Summary 2007/08

	Revised 2007/08 £'000	Actual 2007/08 £'000	Variation 2007/08 £'000
Housing Investment Programme	6,910	4,963	(1,947)
Other Services	8,319	4,508	(3,811)
TOTAL	15,229	9,471	(5,758)

- 7.2 Appendices 'A', 'B' and 'C' compare actual capital expenditure for the year with revised budgets, sources of capital financing and details variances.

7.3 Variations of individual Capital Schemes

Appendix 'C' details the explanations for the variance in expenditure from the revised Capital Budget. In terms of expenditure, the most significant variations in the General Fund Capital Programme were in respect of the Business Unit Incubators project (-£821,400) and the refurbishment of the Railway Arches off Court Street (-£982,200) both of which were subject to grant determinations from Advantage West Midlands. The Business Unit Incubators project commenced in late 2007/08 and the Railway Arches refurbishment is due to commence in 2008/09. The most significant variation in the Housing Investment Programme occurred on the works carried out to the Council's own housing stock (-£1,149,300) where several significant programmes which had been planned to start in the later part of the year were delayed by staff sickness and departures as well as delays in the tenants consultation process.

- 7.4 Appendix 'C' also identifies £1,887,500 in respect Housing Investment Programme schemes not completed in 2007/08 and £3,749,400 for Other Capital schemes. Slippage of these budgets to 2008/09 is being requested. In addition £49,700 Other Services' schemes budgeted for 2008/09 commenced in 2007/08; the 2008/09 budget should be reduced in respect of this expenditure. The 2008/09 Programmes need to be varied accordingly to accommodate these areas of work, with slippage

of the expenditure on the relevant schemes and associated financing.

7.5 Variations in Sources of Capital Funding

There have been significant variations between the revised estimate and the actual in the various resources utilised to finance the capital programmes as shown in Appendix 'B'.

- 7.6 Slippage in the Housing Landlord part of the Housing Investment Programme has resulted in increased Housing Repairs Account and Major Repairs Reserve balances to be carried forward to 2008/09. In addition, a lack of Housing Association schemes to buy into as well as slippage in the Housing Association and Environmental Health Improvement Grants programmes has also resulted in increased capital receipts and grants being carried forward to 2008/09.
- 7.7 Due to slippage within the General Fund capital programme not all of the capital receipts received for the sale of Land at Oaks Road, Kenilworth and the Overage payment received in respect of the sale of the Site E freehold were utilised during 2007/08. The financing of the revised General Fund capital programme also envisaged the use of the Council's set aside capital receipts which had been freed up as a result of it being debt free at 1st April 2004. Due to slippage in the programme, it was not necessary to use these receipts and they have been carried forward to 2008/09. The Council purchased Oakley Woods for in 2007/08 and as originally approved it was intended to finance this purchase from capital receipts generated by the sale of council houses. However, the Overage payment received in respect of the Site E freehold was significantly greater than originally budgeted for and therefore the purchase of Oakley Woods has been funded from this additional income instead of Housing capital receipts.
- 7.8 Due to slippage within the General Fund Capital Programme the amount of funding required from external contributions has decreased by £1,549,000. The major items of slippage which would have been funded by Advantage West Midlands (AWM) grants were the Business Unit Incubators project (AIEC) and the Refurbishment of Court Street Railway Arches (CUP). Other items of slippage which were to have been funded either wholly or in part by external contributions included Car Park Enhancements and Planning Delivery Grant projects.
- 7.9 Appendix 'B' also shows the Capital funding balances held by the Council as at 31st March 2008 totalling £18.9m. Once financing of capital slippage (see 7.4 above) has been allowed for, there is £13.3m available to finance the future Capital Programme, which is £0.646m greater than the revised estimates. Much of this is already committed towards future Capital Programmes. The table below illustrates the increase in General Fund Capital Resources between the revised and actual:

Table 'B': General Fund Capital Programme Resources

	Estimated £000	Actual £000
Capital Resources 1 April 2007	5,947	5,947
Equipment Reserve classified as a capital reserve	-	918
Additions in the year	5,725	5,040
Funding of Capital Programme	(8,319)	(4,508)
Capital Resources 31 March 2008	3,353	7,397

7.10 The Prudential Indicators

The Prudential Capital Finance system came into force on 1st April 2004. Local Authorities are required to produce and report on a set of Prudential Indicators. The 2007/08 indicators are included within Appendix 'D', along with relevant explanations.

8 GENERAL FUND REVENUE ACCOUNT

8.1 The Council's budget plans were formulated during the period August 2006 to February 2007 when the executive considered reports on:

- (a) budget prospects;
- (b) service plans;
- (c) proposed levels of fees and charges;
- (d) capital programme;
- (e) detailed revenue estimates; and
- (f) identification of new and expanded priorities for services.

8.2 Plans were finalised on 22nd February 2007 when the Council approved total estimated net expenditure of £16,945,091 and set a band D council tax for District purposes of £132.09. Additional Local Authorities Business Growth Incentives Grant (LAGBI) of £306,900 increased resources available and net expenditure to £17,251,991.

8.3 The revenue accounts relating to 2007/08 have now been completed.

8.4 When the estimates were considered in December 2007 the Audit and Resources Overview and Scrutiny Committee expressed concern about the detail provided and set up a member working party to investigate further. This report has followed the request of that member group. Accordingly, details of actual net expenditure for General Fund services are summarised in Appendix 'E', together with comparisons with the Council's revised estimates for the year and explanations of the major variations.

8.5 A summary of the General Fund performance for 2007/08 is as follows:

TABLE 'C': General Fund 2007/08

	See Para.	Revised Estimate £'000	Actual £'000	Variance £'000
Net Cost of General Fund Services	8.6	24,395	21,584	(2,811)
Add: Earmarked Reserves	8.9	-	734	734
Adjusted Cost of General Fund Services		24,395	22,318	(2,077)
Financing Adjustments				
Replacement of Notional with Actual Cost of Capital				
- Less Capital Charges in Service Estimates	8.11	(5,739)	(3,597)	2,142
- Add Loan Repayments, Revenue Contributions and Interest Paid		(207)	(207)	-
Revenue Contributions to Capital	8.12	851	521	(330)
Contributions to / (from) Reserves	8.13	(1,194)	(1,300)	(106)
Net External Investment Interest Received	8.14	(1,199)	(1,411)	(212)
FRS 17 Pensions Adjustment		(687)	(837)	(150)
Government Grants Deferred Written-out		32	88	56
Contribution to / (from) General Fund		1,000	1,000	-
Total Financing Adjustments		(7,143)	(5,743)	1,400
Net Expenditure for District Purposes		17,252	16,575	(677)
Less Financing from Council Tax, RSG and NNDR		(16,945)	(16,945)	-
LABGI Grant	8.15	(307)	(1,475)	(1,168)
Deficit / (Surplus) for Year		-	(1,845)	(1,845)

- 8.6 The first row of Table C, above, shows that the net cost of providing the General Fund Services was £21.6m against a budget of £24.4m, an underspending of £2.8m. The expenditure is broken down over Services within Appendix 'E'. A summary of the variations is shown below and explained in later paragraphs:

TABLE 'D': General Fund Service Variations 2007/08

	£'000	£'000
Revenue Effects of Income / Expenditure Variations		
- Other Items	(155)	(155)
Revenue Effects of Capital Programme and Reserve Changes		
- Capital Financing Charges	(2,142)	
- Items of Slippage: Earmarked Reserves	(734)	
- Government Grants - Deferred	(56)	
- FRS 17 Pension Adjustments	150	
- Revenue Expenditure financed from Reserves - net change	126	(2,656)
Total Variation from Revised Estimates		(2,811)

8.7 Other Items

Other items include a large variety of under- and overspendings. These are detailed against individual services in Appendix 'E'. Some of the notable variations are reduced Car Parking costs (-£106,000) offset by reduced income (+£49,000), overprovision for electricity and gas costs (-£124,000), increased income from Licence Fees (-£49,000) and reduced Development and Building Control fees (+£63,000).

- 8.8 The Assisted Travel Scheme came in under budget by £162,400. However, Stagecoach, as part of a national campaign, is mounting a judicial challenge concerning the level of reimbursement it has received. Accordingly, based on the experience gained in 2006/07, a contingent liability provision for this sum has been made.

8.9 **Earmarked Reserves**

It will be seen that £733,900 comprises items of slippage earmarked for 2008/09. These requests relate to revenue expenditure that has been unavoidably delayed, and for which finance is still required. By adopting this approach of carrying forward slippage, the Council avoids the typical public sector end of year spending spree which often does not result in good value for money. Appendix 'F' lists the items in more detail.

8.10 **Capital Financing Charges**

The Capital Financing Charges reductions reflect the Capital Programme being underspent as identified in Section 7. As the capital spend has reduced, so have the charges that need to be made to services in respect of this expenditure.

8.11 **Financing Adjustments**

The largest component of the Financing Adjustment variance (total £2.142m) is income shown in respect of Capital Charges (£3.597m actual). This income reflects the Capital Financing Charges made to services as discussed in paragraph 8.10. Just as a reduced amount has been charged to services, the income shown here is similarly reduced.

- 8.12 The revenue financing of the Capital Programme (Revenue Contributions to Capital) is less due to slippages on the capital programme.

- 8.13 The reduction in contributions from Reserves (£201,000) reflects the actual financing requirements of the Council. It also reflects a recent detailed review of the level of the Council's General Fund Insurance Provision; reducing the level of the provision has resulted in benefiting the General Fund by £169,000.

- 8.14 Interest receipts for 2007/08 were £212,000 above estimate. This partly relates to the returns on investments being slightly higher than estimated, but primarily to the higher balances that were held in the second half of the year. These higher balances are reflected in the high levels of slippage, notably for capital, being requested.

8.15 **Additional LABGI Grant**

The Local Authorities Business Growth Incentives Grant is a "reward" from central government to authorities that have encouraged business growth in their areas. This Council's previously notified grant for 2007/08 was £306,857. However, a letter from the Department for Communities and Local Government on 2nd April 2008 announced an additional grant of £1,168,215 comprising adjustments of

£30,994 and £278,362 in respect of the years 2005/06 and 2006/07 plus a further £858,859 for 2007/08, subject to consultation.

8.16 General Fund Balance

At Revised Estimates it was considered prudent to increase the General Fund balance by £1m to £2.1m with the surplus then projected. Within the Council's financial projections, this balance is to be reduced in future years so as to "smooth" future council tax increases. As a result of the above items there is a further surplus in that balance of £1,845,178. The following section recommends action to be taken on this surplus.

9 TREATMENT OF GENERAL FUND SURPLUS

9.1 At revised estimates time it was anticipated that there would be a surplus of £1m on the General Fund. The actual position is an additional surplus of £1,845,178 as referred to in paragraph 8.16. It is recommended that the additional surplus, subject to the outcome of the LABGI consultation, is allocated as follows:

- £200,000 to the Contingency budget for 2008/09
- £200,000 to the Early Retirement Reserve
- £1,445,178 to the General Fund Balance for further consideration as part of the 2009/10 budget setting.

10 RESERVES AND PROVISIONS

10.1 The position of the Council's Reserves and Provisions has been reviewed and it is recommended that no changes be made at this stage other than those outlined in paragraph 9.1 above.

10.2 A full list of the Council's Reserves and Provisions and their balances at 31st March 2008, assuming the adjustments in paragraph 9.1 are approved, can be found in Appendix 'G'.

11 HOUSING REVENUE ACCOUNT (H.R.A)

11.1 Housing Revenue Account Estimates for 2007/08 were approved by Council on 22nd February 2007 when rents were increased by an average of £2.97 per week.

11.2 The H.R.A. for 2007/08 has now been finalised and is summarised in Appendix 'H'. This shows a balance on the H.R.A. at 31st March 2008 of £6,134,337 which is £129,000 more than the revised estimate. This was due mainly to reduced costs being recharged to General Services Supervision and Management of £266,000 in respect of Support Services and Housing Client/Contractor allocations, increased interest of £58,000 due to higher balances and interest rates offset by a contribution to the Insurance provision of £181,000. Information on the major variances between revised estimates and actual performance can be seen in Appendix 'H'.

11.3 A thirty year model is maintained for the Housing Revenue Account. This model shows how the HRA balance is required in future years to enable a smooth programme of works so as to achieve and maintain the Decent Homes Standard.

12 HOUSING REPAIRS ACCOUNT AND MAJOR REPAIRS ALLOWANCE

- 12.1 In addition to the Housing Revenue Account a Major Repairs Allowance (MRA) Account and a Housing Repairs Account are maintained which, together, provide a separate record of the Council's repair and maintenance programmes.
- 12.2 The Major Repairs Allowance is received as part of the Housing Subsidy regime and is approximately equivalent to the annual depreciation of the Council's dwelling stock. The Housing Repairs Account is a record of both capital and revenue expenditure on the repair and maintenance of the Council's dwelling stock, financed by contributions from the Housing Revenue Account.
- 12.3 These accounts are summarised in Appendix 'I', which shows an increase of £644,000 in the balance of the MRA Account and £417,500 in the balance of the Housing Repairs Account compared to Revised Estimates. The increased balance on the Housing Repairs Account is mainly due to slippage on the Housing Capital Programme. This leaves balances at 31st March 2008 of £4,257,000 on the MRA Reserve and £3,812,000 on the Housing Repairs Account.

13 COLLECTION FUND

- 13.1 The Collection Fund Income and Expenditure Account is set out in Appendix 'J'. This is the statutory account that contains the transactions with respect to the collection and distribution of council tax and national non-domestic rates (NNDR).
- 13.2 As at 31st March 2008, the deficit on the Council Tax is now £56,000, a reduction of £215,000 from the opening deficit of £271,000. The deficit arises from where the Council Tax due is not as great as originally anticipated, mainly due to the overestimation of new developments being completed within the year when calculating the Tax Base. In effect the Council assumed it would be levying Tax on a higher number of properties than was actually the case. More prudent estimation recently has resulted in the position where there is in fact a surplus for the year 2007/08, so reducing the overall deficit balance.
- 13.3 Following the statutory mid-January review of the Collection Fund it was estimated that the deficit as at 31st March 2008 would be £107,000. This amount will be recovered during 2008/09 from Warwickshire County Council, Warwickshire Police Authority and Warwick District Council. As this is greater than the actual deficit, there will be a credit balance of £51,000 towards the 2008/09 Collection Fund which will be assessed later in the year as part of the Budget Setting process.
- 13.4 In respect of Non-Domestic Rates, after deducting the Cost of Collection Allowance, and allowances for amounts that will be non-collectable, the Council's contribution to the Non-Domestic Pool for 2007/08 will be £53,657,000. The amount that the Council receives by way of its share from the Pool is £8.715m.
- 13.5 Figures relating to collectable amounts, arrears and bad debts provision are set out in Appendix 'K'. The bad debts provision, as a proportion of the amount collectable, has reduced from 0.76% to 0.59%. This is due to a reduction in NNDR gross arrears from £1,205,000 to £806,000. The Council Tax collection rate for 2007/08 was 98.9%, and 99.1% for Business Rates, both of which are excellent.

14 CONCLUSION

- 14.1 Whilst the Council can carry forward its capital underspend of over £5.759m, this represents 28% of the revised Housing Investment Programme and 46% of the revised Other Services Capital Programme for 2007/08. In reviewing and planning future programmes officers need to consider how they can achieve planned levels of expenditure more closely.
- 14.2 The general fund surplus for the year was £2,845,178 which compares favourably with the surplus of £1,000,391 forecast in December 2007. After stripping out the capital financing changes, which have no net effect, the main reasons for this additional surplus of £1.8m are reduced Car Parking costs (-£106,000) offset by reduced income (£49,000), reduced electricity and gas costs (-£124,000), increased income from Licence Fees (-£49,000), reduced Planning fees (+£63,000), increased investment interest (-£212,000), a re-assessment of the requirements of the General Fund Insurance Provision (-£169,000) and additional award of LAGBI grant (-£1,168,200). There are also a large number of other revenue variances as set out in Appendix 'E'.
- 14.3 The Housing Revenue Account increased its balance by £129,251 compared to Revised Estimates mainly through reduced Management costs.
- 14.4 The Council has a recent history of overestimating the Council Tax base due to the difficulty in forecasting when new developments will actually come on line. For 2007/08 a more prudent approach was taken, resulting in a reduction in the council tax deficit balance.
- 14.5 The Council has a robust set of reserves and provisions as shown in Appendix 'G'. Further consideration will need to be given to the reserves and provisions when considering the development of future years' budgets.