
Meeting: Executive

Date: 21 July 2009

Subject: South Bedfordshire Financial Outturn 2008/09

Report of: Portfolio Holder for Corporate Resources

Summary: This report:

Informs the Executive of the anticipated outturns for the following for 2008/09:

- South Bedfordshire District Council General Fund
- South Bedfordshire District Council Housing Revenue Account (HRA)
- South Bedfordshire District Council Capital Programme

Requests approval for the financing of South Bedfordshire District Council's Capital Programme for 2008/09;

Reports on the Treasury Management activity and performance for South Bedfordshire District Council for 2008/09.

Advising Officer: Clive Heaphy, Director of Corporate Resources

Contact Officer: Brian Mew, Corporate Finance

Public/Exempt: Public

Wards Affected: All

Function of: Executive

Key Decision Yes

Reason for urgency/ N/A

Exemption from call-
in
(if appropriate)

RECOMMENDATIONS:

- 1. That the Executive consider the General Fund Revenue Outturn Report 2008/09 for South Bedfordshire District Council attached as Appendix A.**
- 2. That the Executive approve the South Bedfordshire District Council Reserves and Provisions as at 31 March 2009 attached as Appendix B.**
- 3. That the Executive consider the Housing Revenue Account Outturn Report 2008/09 for South Bedfordshire District Council attached as Appendix C.**

4. That the Executive consider the Capital Programme outturn for 2008/09 for South Bedfordshire District Council attached as Appendix D.
5. That the Executive approves the financing of the South Bedfordshire District Council Capital Programme for 2008/09 as outlined in paragraph 4.2.
6. That the Executive note the Capital Programme schemes that have slipped from 2008/09, amounting to £1.587 million. These schemes are referred to in paragraph 4.3 and detailed in Appendix D, and will be considered further when the Executive considers revisions to the 2009/10 Capital Programme.
7. That the Executive consider the Treasury Management Report 2008/09 for South Bedfordshire District Council attached as Appendix E.

<i>Reason for Recommendations:</i>	<i>To report on the Revenue and Capital Outturn positions to facilitate the closure of the District Council's accounts. To meet the requirements of the Council's Treasury Management Strategy and the CIPFA Code of Practice on Treasury Management in the Public Sector.</i>
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1. Background

- 1.1 The closing of the District Council's Accounts for 2008/2009 is now nearing completion. The closure process is particularly challenging this year as a result of the reorganisation. Consequently, the figures in this report should be regarded as provisional in nature. Material change is not anticipated but the Executive is asked that approval of any further changes be delegated to the Director of Corporate Resources in consultation with the Portfolio Holder for Corporate Resources before the Statement of Accounts are finalised.
- 1.2 A draft Statement of Accounts for 2008/09 will be submitted to the Audit Committee on 27 July 2009 for approval in accordance with the Accounts and Audit Regulations 2003, and in accordance with the Statutory Instrument that enables the accounts of abolished authorities to be approved by an appropriate committee of the successor authority by 31 July 2009, rather than the usual date of 30 June. The Audit Committee will also consider the accounts of Bedfordshire County Council and Mid Bedfordshire District Council at that meeting. The draft Financial Outturn positions for these councils are the subject of separate reports on this agenda.
- 1.3 The Audit Commission is the external auditor for all three demised authorities, and as such, will audit the accounts during July and August 2009. A view on these accounts will be expressed to the Audit Committee in September 2009.

2. General Fund Revenue Outturn 2008/09

- 2.1 The current anticipated General Fund Revenue Outturn position for South Bedfordshire District Council is attached as Appendix A. This Appendix is presented in broadly the same format as budget monitoring reports throughout the course of the year. A summary of the anticipated outturn position is shown below:

Directorate Outturn Statement 2008/09

	Revised Estimate £000	Outturn £000	Variance £000
Chief Executive	1,795.6	1,831.3	35.7
Sustainable Communities	4,007.7	4,271.7	264.0
Community Operations	6,152.4	6,574.9	422.5
Landlord Services	2,322.9	2,143.2	-179.7
Corporate Services	1,135.1	501.5	-633.6
Sub Total – Service Costs	15,413.7	15,322.6	-91.1
Contribution (from)/to balances	209.3	300.4	91.1
Budget Requirement	15,623.0	15,623.0	0.0

General Fund Balances

Balances as at 1 April 2008	1,310.5	1,310.5	0
Contribution to balances for 2008/09	209.3	300.4	91.1
General Fund Balances 31 March 2009	1,519.8	1,610.9	91.1

- 2.2 The Directorate outturn statement shown above does not include entries relating to impairment of the value of the Council's assets, which do not affect the net expenditure of the General Fund. These are also not referred to in detail in the variance analysis in Appendix A, with the exception of the impairment initially charged to cost of organisation. Overall, the variance shown above amounts to less than 0.6% of the revised General Fund net expenditure estimate.

2.3 The General Fund balance position shown above does not take into account the allocation of any transition costs associated with establishing Central Bedfordshire in 2008/09. In order to assist the funding of transitional costs, the Executive in January approved that most of the General Fund unallocated balance be transferred to the Capacity and Change Management Fund. It was further recommended that a sum of £100k be retained as a working balance for the remainder of 2008/09. The council would then offset transitional costs against the Capacity and Change Management Fund. However, the treatment of transition costs has been further reviewed and discussed with the external auditors, and the allocation of these will now ultimately be shown as expenditure within the Council's Income and Expenditure account, having the effect of reducing the General Fund balance shown above. Consequently, the recommended transfers to the Capacity and Change Management Fund have not been actioned in 2008/09.

2.4 Transition Costs

Transition costs have primarily been incurred and controlled by Mid Bedfordshire DC, although a significant amount of costs, primarily redundancy costs, have initially been incurred by South Bedfordshire. These costs will need to be pooled, allocated to each of the demised authorities and shown in each of their Statements of Accounts. These costs will be allocated in proportion to the three authorities' 2008/09 precepts. The actual process of allocating Transition Costs to the demised authorities is being undertaken minimising unnecessary inter-authority transactions and cash movements and will be reported as part of the process of approval of the Accounts.

2.5 The current summary position for transition costs incurred (with redundancy and early retirement costs shown separately) and their allocation for 2008/09 is shown below:

Transition Costs 2008/09	Redundancy / Early Retirement £000	Mid Bedfordshire DC £000	South Bedfordshire DC £000	Bedfordshire CC £000	Total £000
Incurred	5,355	5,982	401	0	11,738
Allocation		552	681	10,505	11,738
Precept %		4.7%	5.8%	89.5%	100.0%

2.6 The level of transition costs actually reflected in the 2008/09 accounts is higher than indicated when the 2009/10 budget was set for Central Bedfordshire because accounting requirements have meant that redundancy and retirement costs have had to be accounted for in the year that the decision was made, i.e. 2008/09. At the time the budget was set, it was anticipated that these costs would largely be accounted for in 2009/10. The important consideration regarding transition costs is the overall quantum, rather than which of the two financial years the costs fall into. The overall and forecast position on transition costs will be reported separately to the Executive.

2.5 The summary position in respect of Earmarked Reserves and Provisions for 2008/09 is attached as Appendix B.

3. Housing Revenue Account Outturn 2008/09

- 3.1 The current anticipated HRA Outturn position for South Bedfordshire District Council is attached as Appendix C. Whilst balances are at a relatively high level, this provides a level of resilience in the light of the volatility of the housing subsidy system and a degree of capacity regarding potential funding of the capital programme. A summary of the anticipated outturn position is shown below:

Housing Revenue Account Outturn Statement 2008/09

	Revised Estimate £000	Outturn £000	Variance £000
Housing Management General	2,070.9	2,005.8	(65.1)
Housing Management Special	1,088.3	1,169.0	80.7
Major Repairs Allowance	3,561.6	3,553.3	(8.3)
Housing Maintenance	5,190.7	4,863.7	(327.0)
Capital Financing	(385.8)	(568.2)	(182.4)
Bad Debt Provision	118.9	238.1	119.2
Housing Subsidy	8,710.0	8,779.9	69.9
Income	(20,337.6)	(20,576.7)	(239.1)
Sub Total – Service Costs	17.0	(535.1)	(552.1)
Contribution (from)/to balances	(17.0)	535.1	552.1
HRA totals	0.0	0.0	0.0

HRA Balances

Balances as at 1 April 2008	3,509.0	3,509.0	0.0
Contribution to/(from) balances for 2008/09	(17.0)	535.1	552.1
Balance 31 March 2009	3,492.0	4,044.1	552.1

4. Capital Programme Outturn 2008/09

- 4.1 The Capital Programme Outturn position for South Bedfordshire District Council is attached as Appendix D. A summary of the anticipated outturn position is shown below:

	2008/09 Original Estimate £'000	2008/09 Revised Estimate £000	2008/09 Actual £'000	2008/09 Variance £'000	2008/09 Slippage £000	2008/09 Other £000
<u>Capital Programme Summary</u>						
Environment & Development	1,887	1,194	539	-655	763	-108
Community & Housing General Fund	2,655	2,311	1,895	-416	446	-30
Grove Theatre	277	200	94	-106	106	0
Corporate Services	914	1,109	837	-272	272	0
Chief Executive	60	60	98	38	0	-38
Total General Fund	5,793	4,874	3,463	-1,411	1,587	-176
Housing Revenue Account	5,632	5,951	6,030	79	-79	0
Total Capital Programme	11,425	10,825	9,493	-1,332	1,448	-176

4.2 The proposed sources of financing the Capital Programme of South Bedfordshire District Council for 2008/09 are shown below:

Source	Amount £000
Government Grants	370
Usable Capital Receipts	5,155
Revenue contributions	0
Major Repairs Allowance	3,564
Borrowing	0
Reserves	294
Other Contributions	110
Total Capital Expenditure 2008/09	9,493

4.3 In recommendation 6 of this report, the Executive are asked to note the schemes that have slipped from 2008/09, amounting to £1.587 million. More details on significant areas of slippage and variance will be available at the meeting if required. Slippage on these schemes, and the overall capital programme position, will be considered further when the Executive considers revisions to the 2009/10 Capital Programme. The relatively minor areas of overspend in 2008/09 have largely been on areas where government grant funding was available, e.g. DEFRA funding for waste and recycling.

5. Treasury Management Report 2008/09

5.1 Central Bedfordshire Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services, one of the requirements of which is the receipt by the Executive of an Annual Review Report after the financial year-end. Appendix E reports on the Treasury Management activity and performance for South Bedfordshire District Council for 2008/09.

5.2 Long Term Borrowing

The Council did not undertake any new long term borrowing during the course of the year, nor did it engage in any debt rescheduling activity. Consequently, the Council's total external debt as at 31 March 2009 remained at £1.938 million.

5.3 Investment Outturn

The Council held average weekly cash balances of £26.9m during the year. These represent working cash balances / capital receipts and the Council's reserves. The Council's investment income for the year was £1.239m compared to a budget of £0.956m, and the variance is principally due to average investment balances held during the financial year being higher than originally budgeted and money market rates of interest being initially higher than forecast for the first part of the year. However, this was balanced out by the rapid reduction in rates in the second half of the year, combined with the very low rates of interest obtained as a result of the need to prioritise security.

Overall, the returns achieved on the Council's Investments managed in-house in 2008/09 were 3.79%.

5.4 Investment Strategy

As a consequence of the crisis in financial markets, the Council's investment activities were restricted, and the Council applied a higher minimum credit criteria for its investments. In doing so, the Council demonstrated its adherence to the overriding principles of security and liquidity which are cornerstone of its investment policy and objective.

During September and October 2008 when confidence in the markets was extremely fragile and counterparty risk at its height, the Council responded by placing new and maturing investments with the Debt Management Agency Deposit Facility (guaranteed by HM Treasury).

Thereafter the Council restricted new lending to UK institutions which could avail of the Government's 2008 Credit Guarantee Scheme (CGS*) and with long-term ratings in the 'double-A' category. The institutions meeting these criteria were: Abbey National, Barclays Bank, Clydesdale Bank, HSBC Bank, Lloyds TSB Bank and Bank of Scotland (both part of the Lloyds Banking Group), Nationwide Building Society and Royal Bank of Scotland,

An analysis of the Council's investment portfolio as at 31 March 2009 compared with 1 April 2008 is shown below:

Investments	Balance as at 1 April 2008 £m	% of Portfolio	Balance as at 31 March 2009 £m	% of Portfolio
Internally managed investments (short-term)	16.8	100%	14.5	100%
Longer-term investments				
Deposits with maturities greater than 1 year	0.0	0%	0.0	0%
Total Investments	16.8	100%	14.5	100%

5.5 Treasury Limits and Prudential Code Indicators.

The Council implemented its treasury strategy within the limits and parameters set in its treasury policy statement and Prudential Indicators against the prevailing market conditions. Appendix E3 reports on compliance with the Prudential Indicators for 2008/09 in detail. The Council complied with all Treasury Limits and Prudential Code Indicators during the year.

CORPORATE IMPLICATIONS

Council Priorities:

The Outturn positions of the demised authorities provide the starting point for the robust financial standing and sound financial management of the new authority, which are essential to the Council delivering its initial corporate objectives and priorities:

- (i) Supporting and caring for an ageing population
- (ii) Educating, protecting and providing opportunities for children and young people
- (iii) Managing growth effectively
- (iv) Creating safer communities
- (v) Promoting healthier lifestyles

Financial:

The debt and investment positions inherited from the demised authorities have a direct impact on the financial position of the new Council for 2009/10. Expenditure and income associated with these inherited Treasury Management positions have been built into the 2009/10 revenue budget.

Legal:

None

Risk Management:

None

Staffing (including Trades Unions):

None

Equalities/Human Rights:

None

Community Development/Safety:

None

Sustainability:

None

Appendices:

Appendix A - South Bedfordshire District Council General Fund 2008/09

Appendix B - South Bedfordshire District Council Reserves and Provisions 2008/09

Appendix C - Housing Revenue Account Outturn 2008/09

Appendix D - South Bedfordshire District Council Capital Programme Outturn 2008/09

Appendix E – Treasury Management Report 2008/09 – South Bedfordshire District Council

Appendix E1 – Money Market Rates, Gilt Yields, and PWLB Borrowing Rates

Appendix E2 - South Bedfordshire District Council Specified and Non-Specified Investments

Appendix E3 - South Bedfordshire District Council Compliance with Prudential Indicators 2008/09

Background Papers (open to public inspection):

Location of papers: Priory House, Chicksands