

# Item 5

## REPORT TO COUNCIL

30<sup>TH</sup> JUNE 2008

## REPORT OF DIRECTOR OF RESOURCES

**Portfolio: STRATEGIC LEADERSHIP**

### **STATEMENT OF ACCOUNTS (FOR YEAR ENDED 31<sup>ST</sup> MARCH 2008)**

#### **1. SUMMARY**

This report deals with the statutory requirements set out in the Accounts and Audit Regulations 2003 for the production and publication of the Annual Statement of Accounts.

#### **2. RECOMMENDATIONS**

2.1 That the Statement of Accounts for the year ended 31<sup>st</sup> March 2008 be approved.

#### **3. DETAIL**

3.1 The Statement of Accounts is being presented to this Committee so that it can consider the content and their approval to Council. Any comments made by this committee will be conveyed to the Council when the Statement will be considered later today.

3.2 The Account and Audit Regulations 2003 require the Council to approve the Accounts of the Authority by no later than the 30<sup>th</sup> June, prior to their publication and the formal signing off by the District Auditor.

3.3 Following the audit of the Statement of Accounts, which has to be completed by no later than 30<sup>th</sup> September 2008, the District Auditor will submit a formal report on the Audit. If there are any material changes to the Statement of Accounts it will also be necessary for Council to re-approve the document.

3.4 Once the Audit has been completed the District Auditor will issue an Audit Certificate, on receipt of that document it is responsibility of the Director of Resources to publish the Statement of Accounts. In order to comply with this requirement apart from producing copies of the Statement, it will also be placed on the Council's website. In addition the Council will once again be preparing a "summary of the accounts" which will be distributed to all residents of the Borough as an insert in Inform.

3.5 The Statement of Accounts has been referred to the Audit Committee who will be reviewing the document at their meeting immediately before this meeting. Any comments and recommendations made by that Committee will be forwarded to this meeting.

3.6 Once again there have been a number of changes to the format of the accounts required to be made by the Statement of Recommended Practice 2007 [SORP] applicable to Local Authorities, details of these changes are shown in the appendix.

#### 4. FINANCIAL IMPLICATIONS

4.1 Paragraphs 4.5 and 4.7 detail the outturn financial position for the two principal revenue accounts that the Council maintains:

- General Fund
- Housing Revenue Account

4.2 Para. 4.8 details the impact on the Council's level of revenue reserves of the outturn position on the revenue accounts.

4.3 Para. 4.9 details the outturn financial position on the Council's capital programme for both Housing Revenue Account and General Fund, how the programme has been financed and details the capital commitments into 2008/2009 that were approved by Cabinet on the 19<sup>th</sup> June 2008.

4.4 Cabinet Members are kept advised of the likely outturn position with regard to their portfolios' revenue and capital budgets during the financial year by way of quarterly budgetary control reports to Cabinet.

#### 4.5 GENERAL FUND

##### *(a) 2007 / 2008 Initial Plans*

The Revenue Support Grant settlement was broadly in line with expectations. Notwithstanding that the Council faced some significant budget pressures not least that of pay inflation. Although the pay settlement effective from 1<sup>st</sup> April 2007 had not been agreed, an assumed 2.5% increase was built into the budgets. The effects in 2007/08 of implementing the Job Evaluation Agreement last year was also incorporated into the base budgets and the final stage of the stepped increases to the Council's contribution to the Pension Fund in accordance with the last Actuarial Valuation, also added a further 1.5% to the total pay bill. These factors represented a significant increase in the pay costs incurred by the Council

In addition a number of initiatives designed to build and maintain strong cohesive communities in order to tackle deprivation and social exclusion that had relied on external finance streams came to a close in March 2008. Account was therefore made of the fall out of grant support in this important area.

Fuel price inflation will also significantly add to costs particularly in the areas of high-energy use for example, the leisure centres.

The Council approved a net budget requirement for 2007/08 of £14,618,060 after a use of balances of £700,000, which represents a net increase in spending of £572,580 or 4.1%. The gross budget requirement was subsequently increased by £60,000 to take into account additional anticipated costs associated with Local Government reorganisation in County Durham were to be funded from balances.

Careful planning of the budget meant that the commitment made in the Medium Term Financial Plan to restrict the council tax increase to 3% was delivered in 2007/2008.

***(b) 2007 / 2008 Actual Position***

The quarterly reporting of each portfolio's spending performance and probable outturn position to Cabinet and Strategic Working Groups has ensured that effective budgetary control has been achieved during 2007/2008.

The financial outturn position on the General Fund has improved considerably throughout 2007/2008, primarily as a result of the following items: -

- Salaries and Wages costs amount to approximately 30% of the gross spend on the Council's General Fund services, and as a consequence the relevant budgets are monitored very closely on a monthly basis. The Council set a savings target of £385,000 equivalent to a turnover rate of 4% for 2007/08. Actual outturn was considerably higher than predicted with a turnover rate of approximately 8%.
- Depending upon where staffing vacancies fell there has been a need to seek the appointment of agency staff; use of overtime or honoraria payments where it has been difficult to recruit a replacement to ensure continuity of service delivery in key service areas.
- During the year some of the volatile income budgets have been closely monitored to ensure material changes were identified at an early stage and corrective action taken to mitigate the shortfall of income. Overall income from these sources fell by £230,000. In the case of Leisure Centre income, operating costs were reduced accordingly.
- There was a small increase in investment income received over and above that predicted when the Budgets were set even after taking account of lower interest rates and impaired cashflow net of recharges to the housing revenue account mainly as a consequence of delays in the sale of some assets.
- There has also been a general underspend across all budget areas within all Portfolios particularly on operating costs

A summary of the outturn on the Council's General Fund is shown in the table below: -

<i>Portfolio</i>	<i>What we Spent 2007/2008</i>		
	<i>Revised Budget £000</i>	<i>Actual Spend £000</i>	<i>(Under-spend) Overspend £000</i>
<b>Strategic Leadership*</b>	(4,936)	(4,9100	26
<b>Healthy Borough</b>			
- <i>Community Health</i>	162	162	-
- <i>Leisure &amp; Culture</i>	4,002	3,963	(39)
<b>Strong Communities</b>			
- <i>Housing</i>	2,144	2,214	70
- <i>Safer Communities</i>	927	1,067	140
<b>Prosperous Borough</b>			
- <i>Learning &amp; Employment</i>	816	933	(117)
- <i>Social Regeneration &amp; Partnership</i>	6,205	6,009	(196)
<b>Attractive Borough</b>			
- <i>Environment</i>	5,623	5,276	(347)
- <i>Planning &amp; Development</i>	455	440	(15)
<b>Other Savings</b>	(20)	-	20
<b>Budget Requirement</b>	<b>15,378</b>	<b>15,154</b>	<b>(224)</b>
<b>(Use of) / Contribution to Balances</b>	(760)	(536)	<b>224</b>
<b>Budget Requirement</b>	<b>14,618</b>	<b>14,618</b>	-

\* The Strategic Leadership Portfolio shows a credit budget and actual spend as it includes internal recharges to frontline services in respect of support services and capital accounting charges

The above table is shown on a non Financial Reporting Standard 17 basis.

The budgets for 2007/2008 have been fully revised to take account of the full reallocation of corporate support services and asset charges fully recharged to service areas.

As a result of the favourable outturn position on the General Fund the Council has only been required to use £536,000 of the Budget Support Fund as opposed to the budgeted use of balances of £760,000.

A detailed summary of the movements in the levels of all of the Council's Reserves is shown in paragraph 4.8.

## Training and Employment Services

The initial budget prepared for 2007/2008 forecast that the Training Services account would make an operating loss of about £33,000 [excluding asset charges] by the 31<sup>st</sup> March 2008. As a consequence of significantly higher levels of income mainly generated by contracts with Job Centre Plus together with a prudent approach to spending on operating costs and savings on staffing costs, an overall surplus for the year amounted to approximately £119,000.

### 4.6 Revenue Provisions In to 2008/2009

In view of the Council's favourable outturn position, I have made provision in the 2007/2008 Accounts to carry forward unused resources for specifically identified purposes amounting to £617,270 into the current year to meet specific needs identified within the Budget and Policy Framework. This action is in line with the Financial Regulations.

Details of the provisions made in respect of the General Fund are as follows: -

	£
<i>Organisational Training &amp; Development Initiatives</i>	13,250
<i>Equality and Diversity Self Assessment</i>	7,900
<i>Aycliffe Town Centre – Legal Fees</i>	5,000
<i>Local Development Framework - Initiatives</i>	25,730
<i>Local Strategic Partnership - Initiatives</i>	83,000
<i>Upgrade to Council Tax software</i>	15,000
<i>Leisure Centre Fitness suite promotion</i>	8,000
<i>Community Economic Appraisals</i>	69,390
<i>LGR and Transition Plan</i>	380,000
<i>Community Investment Fund</i>	10,000
<b>Total Revenue Provisions</b>	<b>617,270</b>

The Council has received grant funding in respect of specific initiatives that was unspent at the 31<sup>st</sup> March 2008 amounting to £641,900. The budget framework already assumes that some of this grant funding will be utilised in 2008/2009, however if the specific programmes do not need all of the funds in the current financial year unspent resources will either be rolled forward into later years to meet specific requirements of the relevant initiatives or amalgamated into the Budget Support Fund depending upon the budget framework requirements of the new Unitary Council.

During 2006/2007 an offer was made to those employees who had lodged an equal pay claim against the Council in full and final settlement. The offer was subsequently rejected and following consultation with the employees unions further equal pay claims have been submitted. A provision of £773,000 has been provided for equalling the cost of the initial offer, all of which would fall against the Housing Revenue Account and this is being met from HRA balances. As at 31<sup>st</sup> March 2008 no settlement has been reached

	<b>£000</b>
<b>General Fund</b>	
<i>Planning Delivery Grant</i>	82,350
<i>Children's Fund</i>	4,910
<i>Local Enterprise Growth Initiative</i>	61,000
<i>LPSA – Cost Efficiency Grant</i>	93,540
<i>DEFRA - Waste Management &amp; Efficiency Grant</i>	35,980
<i>D o H – Smoke free Legislation</i>	25,000
<i>D o H – Communities for Health</i>	217,030
<i>DWP - Local Housing Allowance</i>	6,240
<i>DOT – Concessionary Fares</i>	80,400
<i>DWP – Employment Support Allowance</i>	35,450
<b>Total Grant Provisions</b>	<b>641,900</b>

## 4.7 HOUSING REVENUE ACCOUNT

### (a) 2007/2008 Initial Plans

The funding of the Council's Housing Revenue Account (HRA) is very much driven by the Government. The Housing Subsidy System provides the resources for the funding of Council Housing throughout the country, via the annual Housing Subsidy Settlement. The Government via its Rent Restructuring methodology also controls the Council's annual rent increases. The Housing Subsidy and Rent Restructuring System have undergone major methodology changes over recent years and this has had a significant impact on the Council's HRA.

The 2007/08 Housing Subsidy settlement left the Council's HRA worse off. In terms of spending allowances for Management and Maintenance increased in excess of inflation by 3.97% and 4.34% respectively. In addition the Council's Major Repairs Allowance, which is used to finance the Council Housing Capital Programme, has been increased by 3.1%, which gives a grant figure of £5.061M for 2007/08, after accounting for adjustments in respect of falling stock numbers.

The continued implementation of the Government's Rent Restructuring methodology will lead to substantial rent increases for most of our tenants over the next few years so that full convergence with housing association rents can be achieved by 2012.

In overall terms, the Housing Subsidy Settlement has effectively left the Council's HRA in the position of having no additional resources available to fund inflationary pressures or committed service growth in 2007/08. The HRA remains in a negative subsidy position and indeed this has worsened under the new proposals. In 2006/07, £2.73M was paid over to the Government and it was forecast to increase to around £3.34M in 2007/08. So in effect £610,000 of the additional rent increase to be raised this year will be transferred to the Government to assist with social housing in other parts of the country.

The HRA faced inflationary pressures in respect of pay costs, pensions and energy costs.

There also had been some major changes in the funding of the Council's Carelink Service for 2007/08. Supporting People Grant has been withdrawn for Sheltered Housing Warden Services, and a new contract for the provision of Alarm Monitoring and Mobile Response Services within this Borough, Wear Valley and Teesdale was awarded to this Council at an annual contract value of £1.4m.

However, there has been a significant impact on the Council's HRA, as a result of the withdrawal of Supporting People funding for the Sheltered Housing Warden Service. This resulted in an additional call on the HRA Budget of around £300,000.

The poor Subsidy settlement left the HRA needing to make significant savings of around £400,000 in order to balance the Budget. The savings were achieved mainly through reduced revenue contributions to the capital programme, which have been replaced by use of Regeneration Capital Receipts, under the affordable Housing definition, in order to maintain and indeed enhance the capital programme budget for 2007/08. Significant efficiency savings were also achieved in respect of the Housing Maintenance Budget and small savings were also made on Housing Management Budgets and a reduction in the HRA Contingency Sum.

Budgeted spending on Housing Revenue Account services amounted to £30.085m. This included funding of £6.698m towards the Housing Capital programme in respect of the Major Repairs Allowance Grant from the Government of £5.061m (which is accounted for through the HRA) and Direct Revenue Support from rents totalling £1.637m.

Included in the spending total above is a payment of £3.34m, which will be made to the DCLG and used by the Government to support national housing priorities. This was an increase of £610,000 over 2006/07.

The increase in Housing Rents was in line with the Government guideline of 4.1% + £2 adjustment for rent restructuring. This had the impact of increasing the average base rent, prior to the rent restructuring adjustment, by £2.20 per week over 47 weeks. However very many tenants will face an additional adjustment of up to £2.00 towards target rents and overall the average rent increase on the Housing Revenue Account was 5%.

#### ***(b) 2007/2008 Actual Position***

The approved budget for 2007/08 assumed that the HRA would require the use of £100,000 from Balances to support the Service Improvement Plan. Cabinet in June approved a further use of HRA balances of £60,000 to fund the review of the Council's Stock Option appraisal. A further use of HRA reserves amounting to £411,000 was approved for initial works in respect of the potential stock transfer and £300,000 was allocated to clear the backlog of Disabled persons Adaptations.

In addition HRA balances of £843,000 were used to fund the HRA capital programme.

The outturn position to the 31<sup>st</sup> March 2008 is a use of HRA reserves of £1,949,000 compared to a revised budget use of £1,714,000.

Details of which are shown in the following table: -

	<b>What We Spent 2007/2008</b>		
	<b>Planned £000</b>	<b>Actual £000</b>	<b>(Under- spend) Overspend £000</b>
<b>Income</b>			
<i>House Rents Net of Voids and Bad Debts</i>	22,465	22,507	(42)
<i>Other Rents</i>	915	890	25
<i>Government Subsidies</i>	16	16	-
<i>Other Contributions and Charges</i>	4,879	4,899	(20)
<i>Mortgage Interest &amp; Investment Income</i>	96	108	(12)
<b>Total Income</b>	<b>28,371</b>	<b>28,420</b>	<b>(49)</b>
<b>Expenditure</b>			
<i>Management Costs</i>	11,184	11,658	474
<i>Maintenance Costs</i>	6,675	6,793	118
<i>Stock options and transfer Expenses</i>	471	261	(210)
<i>Capital Financing</i>	5,935	5,926	(9)
<i>Revenue Contribution to Capital #</i>	2,480	2,270	(210)
<i>Negative Subsidy Payable</i>	3,340	3,461	121
<b>Total Expenditure</b>	<b>30,085</b>	<b>30,369</b>	<b>284</b>
<b>Contribution from HRA Balances</b>	<b>1,714</b>	<b>1,949</b>	<b>235</b>

#includes £843,000 support to the HRA capital programme from HRA balances

The significant change in the outturn projection relates to a number of specific items:

- Costs associated with the Stock Transfer of £196,000 were incurred by 31<sup>st</sup> March 2008. The 2008/09 HRA budget assumed all spend would fall in that year and the budget was prepared on that basis. As a consequence savings of £196,000 will now be made in 2008/09. In the event of a no vote 40% of the £411,000 will fall to be met by the General Fund.
- The main features that account for the additional use of balances to those outlined above relate to the pension costs incurred by the HRA in respect of the TUPE transfer of staff to the Housing Partner for maintenance and capital works. Total costs of approximately £750,000 were incurred in respect of the transfer of the pension liability with 50% being reimbursed by the Housing partner.
  - Some additional costs were also incurred in connection with set up costs for the new contracting arrangements.
  - In summary, the use of balances is higher than originally planned however some of these costs were anticipated to fall as a charge against the 2008/09 HRA budget. These costs will not now be incurred in the current year and it is anticipated that a sum equal to the early costs incurred will be returned to balances by the end of the financial year 2008/09. If these costs are removed from the comparison then the HRA would have shown a saving of £336,000 in 2007-2008.



Other factors to take into account in considering the outturn financial position are: -

- Overall net Rental income was approximately £43,000 higher than original budget forecasts as a consequence of lower than anticipated Right to Buy Sales, rental loss from void properties is also down as a result of quicker turn round times on changes in tenancy and improved maintenance performance.
- As a consequence of “credit crunch” interest rates remained much higher during the latter part of 2007-2008 than was expected; this was tempered by lower investment returns due to delays in the sale of some assets and the reduced levels of RTB sales. Overall level of interest receivable in the HRA has increased.
- A significant proportion of the costs of providing the Housing Service are employee based. Each vacant post has been assessed to determine the likely date by which they will be filled and the overall impact on costs. Overall there were savings amounting to approximately £56,000 in 2007-2008.
- The repairs and maintenance budget has been adjusted to reflect the declining recovery rates in respect of rechargeable housing repairs.
- None of the contingency sum was required in 2007/08.
- It was originally planned to use £2.48m from revenue to support the Housing capital programme. The outturn requirement of £2.27m is a result of some of the spend charged initially to capital not meeting the specific definition of capital spend (such as environmental works) and consequentially it was transferred into revenue with the revenue support to capital being reduced pro rata. This adjustment partly accounts for the overspend on maintenance costs, which before the inclusion of the environmental maintenance works was showing an underspend against approved budget.
- The amount of subsidy payable to the Government increased by £121,000 to £3,461,000. Whilst overall costs in respect of managing the HRA debt portfolio fell it meant that the surplus on the notional subsidy HRA subsequently increased leading to the increased repayment.

#### **4.8 RESERVES**

The following statement sets out the actual position in respect of the level of reserves and balances available to the Council as at the 31<sup>st</sup> March 2008. The overall level of resources available to the Council has fallen by £2.761m compared to the balances as at 31<sup>st</sup> March 2007. The use of General Fund reserves is broadly in line with the expectations used when the 2007/2008 budgets were approved in February 2007.

		<b>Balances at</b>	
		<b>31/3/2007</b>	<b>31/3/2008</b>
		<b>£000</b>	<b>£000</b>
<b>General Fund</b>			
<b>Earmarked Reserves</b>			
	<i>Budget Support Fund</i>	1,444	908
	<i>Insurance Fund</i>	1,231	1,181
	<i>Economic Development Fund</i>	103	77
	<i>LABGI – Economic Growth Fund</i>	558	554
	<i>Asset Management Fund</i>	402	302
	<i>Private Sector Housing Fund</i>	203	103
	<i>Training Services Fund</i>	445	564
	<i>Youth Development Fund</i>	64	36
	<i>MRP (Debt Repayment) Fund</i>	256	106
	<i>Building Control Fund</i>	14	11
	<i>Other Earmarked Funds</i>	65	131
		<b>4,785</b>	<b>3,973</b>
<b>Non-Earmarked Reserves</b>			
	<i>General Reserves</i>	<b>2,240</b>	<b>2,240</b>
<b>Housing Revenue Account</b>			
	<i>HRA Working Balance</i>	<b>3,382</b>	<b>1,433</b>
	<b>Total Reserves</b>	<b>10,407</b>	<b>7,646</b>

The purposes for which the main reserves are held are detailed below: -

#### ***Budget Support Fund***

This was set up to provide support to the General Fund to allow spending levels to be adjusted over the medium term. The Medium Term Financial Plan 2006-2009 [MTFP] anticipated that by the end of 2008/2009 all of the fund will have been utilised. As a result of the much smaller use of the Fund during 2007/2008, it is now anticipated that there will be a balance on the Fund at the end of the 2008/2009 financial year.

#### ***Insurance Fund***

Established to cover the Council's self-insured risks. Whilst the revised balance will fall as claims continue to be met, the current level of funding is regarded as satisfactory in the medium term.

#### ***Economic Development Fund***

Set up to provide incentives to industry. Whilst it has lasted much longer than initially anticipated, there are ongoing commitments against the fund and it is expected that as a consequence of no external grant funding being available to support the incentives programme, the fund will be fully utilised by 31<sup>st</sup> March 2009.

#### ***LABGI – Economic Growth Funds***

These were set up using LABGI grant received during the last two years and are to be used to assist the Council to promote a range of initiatives to increase the economic base within the Borough. It is anticipated that by the end of 2008/2009 all of the funds will have been utilised.

### ***Asset Management Fund***

This fund is available to provide support to meet the Council's commitments under the Asset Management Plan. The MTFP anticipates that by the end of 2008/2009 all of the fund will have been utilised.

### ***Private Sector Housing Fund***

This fund was established some years ago, when Housing Association loans were repaid, to provide support to private sector housing regeneration initiatives. The MTFP anticipates that by the end of 2008/2009 all of the fund will have been utilised.

### ***Training and Employment Services***

This Fund is used to support the Council's training schemes, which have provided training opportunities to thousands of people over many years. The level of the fund is down to the activities of the training services and any surpluses or deficits directly affect its level.

### ***Youth Development Fund***

This Fund is used to support projects aimed at developing the skills and talents of young people in Sedgefield Borough. This will provide significant additional funds to support 'KoolKash' initiatives and is in line with the outcome from the review of Children and Young People.

### ***Other Earmarked Funds***

This covers a range of small balances, and funds that are used for technical accounting purposes.

### ***General Reserve***

The balance on this reserve represents around 15% of net revenue spending, which is well above the minimum level advised by the Audit Commission of 5%. However, the Council has always held a significant reserve reflecting its tradition of being an active Council, prepared to respond to new initiatives and it considers the level of balances to be adequate and appropriate for this authority and a balance of £2m is regarded as a target to be maintained in the medium term. In the event of a no vote by the Housing Tenants in respect of the Stock Transfer vote some of the costs associated with the pre ballot preparations will fall on to the General Fund. To this end £164,000 of the General Fund reserve will be earmarked to pay for this eventuality.

### ***Housing Revenue Account***

Balances have been built up over the last few years primarily as a result of buoyant capital receipts being generated, which have been used to finance capital expenditure rather than using revenue resources that are under pressure from the need to repay subsidy.

## **Collection Fund**

The Council, as billing authority, maintains the Collection Fund accounts in respect of all the precepting authorities within Sedgefield Borough. Surpluses and / or losses on the Fund have to be used to support future Council Tax bills.

During December 2007 the Council is required to estimate the likely surplus or deficit on the Collection Fund and advise the Principal Precepting Authorities of their share that has to be paid out during 2008/2009, that surplus was estimated at £694,900. As at the 31<sup>st</sup> March 2008 there was an accumulated surplus on the Fund of only £404,000. Whilst a higher level of funds has been distributed than is currently being held the shortfall will be collected during 2008/2009.

Sedgefield Borough Council utilised £157,000 of the assumed surplus to set its own level of Council Tax in 2008/2009 whilst the actual share of the Collection Fund balance at 31<sup>st</sup> March 2008 was £91,500.

## **4.9 CAPITAL INVESTMENT & FINANCE**

### ***(a) Capital Investment in Sedgefield Borough 2007/2008***

In preparing the Council's Capital Budgets for 2007/2008 account had to be taken of the resources available to the Council in the form of Government grants and allocations such as the Major Repairs Allowance, Supported Borrowing Approvals and the Council's own capital resources such as usable capital receipts, revenue contributions and accumulated reserves.

The approved net spending target for 2007/2008 was subsequently set at £20m with £5.36m set aside for General Fund Services, £8.4m for Council Housing Services and £6.24m for Major Regeneration Initiatives to be funded from Housing Land Capital Receipts.

Taking into account additional external funding secured during the year, brought forward commitments and approved changes for additional schemes (such as the Neighbourhood Enhancement Programme) the total gross spending target was £25.949m with £8.603m for General Fund, £8.669m for Council Housing and £8.677m for Major Regeneration Initiatives.

The figures in the tables below detail the actual gross and net capital expenditure in 2007/2008 in respect of the General Fund, Council Housing and Major Regeneration Programmes. The net spend shown is after the deduction of any external capital grants and contributions received during the year and therefore represents the expenditure to be financed from the Council's own resources and Government allocations built into the base budget such as the Major Repairs Allowance and Supported Borrowing Allocations.

## (b) General Fund Services

The final outturn position on the 2007/2008 General Fund Capital Programme (including the Major Regeneration Programme) can be summarised as follows: -

<b>Portfolio</b>	<b>Net Capital Programme Budget £000</b>	<b>Gross Capital Programme Budget £000</b>	<b>Actual Gross Spend* £000</b>	<b>Less Capital Grants and Contributions £000</b>	<b>Actual Net Spend To Finance £000</b>
<b>Strategic Leadership</b>					
ICT and E-Government	1,218	1,218	844	(12)	832
Green Lane	100	100	55	-	55
Chilton Depot	86	86	55	-	55
<b>Healthy Borough</b>					
Community Health	84	84	87	-	87
Leisure and Culture	1,874	2,084	721	(122)	599
<b>Prosperous Borough</b>					
Social Regeneration	951	1,116	748	(294)	454
Learning and Employment	362	874	795	(410)	385
Major Regeneration	8,677	8,677	4,865	-	4,865
<b>Attractive Borough</b>					
Environment	48	123	142	(76)	66
Planning and Development	157	211	201	(38)	163
<b>Strong Communities</b>					
Housing (Private Sector)	2,418	2,418	1,585	(1,485)	100
Safer Communities	131	169	120	(69)	51
<b>Contingency</b>	120	120	-	-	-
<b>TOTAL</b>	<b>16,266</b>	<b>17,280</b>	<b>10,218</b>	<b>(2,506)</b>	<b>7,712</b>

\* Net of de minimus spend transferred to revenue

The variances from the approved programme can be attributed to a number of reasons:

- Where capital schemes are funded through external agencies, such as the Single Capital Pot these resources must be spent first as in most instances if the resources are not defrayed within the year they have to be repaid.
- Delays in the commencement or completion of a number of schemes on the Social Regeneration and Major Regeneration Initiatives Capital Programme mainly in respect of LIP projects, Cobbler's Hall redevelopment and the Arts Resource Centre.
- A number of ICT capital projects were delayed or did not go ahead as planned during the year due to the uncertainties regarding the Local Government Reorganisation.
- Leisure & Culture have overspent on the overall control total for this portfolio. This is partly as a result of additional costs on some of the projects and additional approved schemes being brought into the programme.

- The Council has again been successful in securing additional grants and contributions from external sources to support its capital investment. The amounts to be financed from the Council's own resources were therefore lower than anticipated.

### **c) Housing Services**

The Housing Investment Programme (H.I.P.) provides, in the main, for the revitalisation of the Council's dwellings and associated land and infrastructure. The significant areas of the Programme in 2007/2008 were all designed to help the Council achieve the Government's Decent Homes standard, including:

- *Continuation of Kitchen and Bathroom Improvement Programme where the tenant has significant choice in the new facilities installed in their homes.*
- *Continuation of a programme to renewing inefficient central heating systems in all Council dwellings.*
- *Continuation of a programme to renew roofing on all Council dwellings along with the continuation of a programme of structural repairs and the replacement of dilapidated external components on Council dwellings*
- *Other works, including the works to sheltered housing schemes, fencing and landscaping works and works to Council owned shops.*

The outturn position on the 2007/2008 Council Housing Capital Programme can be summarised as follows:

<b>Scheme</b>	<b>Capital Programme Budget £000</b>	<b>Net Spend To Finance £000*</b>
<b>Council Dwellings</b>		
<i>Tenant Led Improvements</i>	-	7
<i>Kitchen and Bathroom Improvements</i>	1,000	1,673
<i>Bathroom Replacements</i>	440	239
<i>Structural Repairs</i>	-	155
<i>Central Heating</i>	3,950	3,979
<i>P.V.C.U. Doors / External Joinery</i>	-	112
<i>Re-roofing Works</i>	416	803
<i>Other Council Housing Works</i>	1,640	196
<b>Other Works</b>		
<i>Disabled Persons Adaptations</i>	80	71
<i>Council Shops</i>	20	11
<i>Sheltered Housing</i>	793	263
<i>Other Land and Buildings</i>	330	399
<b>Total</b>	<b>8,669</b>	<b>7,908</b>

Overall the Council spent £18.126m gross on the 2007/2008 Capital Programme against a gross spending target of £25.949m. The financing of the capital programme outturn is detailed in the section below.

#### (d) Capital Financing in 2007/2008

The following table sets out how the 2007/2008 Capital Programme was financed: -

	£000
<b>Expenditure to Finance</b>	
General Fund	10,219
HRA	7,907
<b>Total</b>	<b>18,126</b>
<b>Financed By</b>	
Major Repairs Allowance (MRA)	5,061
Capital Receipts	7,837
Capital Grants	2,171
Capital Contributions	353
Direct Revenue Financing	2,491
Supported Capital Expenditure	213
<b>Total</b>	<b>18,126</b>

#### (e) Capital Programme – Carry Forward to 2008/2009

The following table highlights the outstanding commitments on each portfolio's capital programme, which will need to be carried forward into 2008/2009 to meet on-going expenditure plans. These allocations are in addition to the already approved 2008/2009 capital programme and the 2008/2009 control totals will need to be adjusted accordingly: -

<b>Portfolio / Capital Programme</b>	<b>Slippage &amp; Savings / (Overspend) 2007/08 £000</b>	<b>Commitments/ Carry Forward To 2008/09 £000</b>
<b>Strategic Leadership</b>		
ICT and E-Government	374	197
Green Lane	45	-
Chilton Depot	31	19
<b>Healthy Borough</b>		
Community Health	(4)	-
Leisure and Culture #	1,363	1,428
<b>Prosperous Borough</b>		
Social Regeneration	368	304
Learning and Employment	79	80
Major Regeneration	3,811	3,400
<b>Attractive Borough</b>		
Environment	(19)	-
Planning and Development	10	15
<b>Strong Communities</b>		
Housing (Private Sector)	833	830
Council Housing (HRA)	761	493
Safer Communities	50	48
<b>TOTAL</b>	<b>7,702</b>	<b>6,814</b>

# Includes carry forward commitments financed from Capital contributions

## **(f) Usable Capital Receipts**

As a consequence slippage and other savings on the 2007/2008 Capital Programme and the Capital Receipts generated during the year, the Council has Usable Capital Receipts available to finance future capital works, amounting to £10.978m as at 31<sup>st</sup> March 2008. In accordance with decisions taken by Council in July 2004, £9.32m of these Capital Receipts is being earmarked specifically for major regeneration and affordable housing schemes.

### **5. RESOURCE IMPLICATIONS**

There are no further resource implications arising from this report.

### **6. CONSULTATIONS**

Comprehensive consultation has previously been held during the construction of the 2007/2008 Budget Framework. This report does not contain any proposals or recommendations requiring further consultation.

### **7. OTHER MATERIAL CONSIDERATIONS**

#### **7.1 *Links to Corporate Objectives/Values***

The Council's Corporate Objectives and Values have guided the preparation of the 2007/2008 Budget Framework throughout. Resource availability has been fully re-assessed and directed to assist in achieving the Council's key priorities as set out in the Corporate Plan. Particular emphasis has been placed on the following Corporate Values: -

- *Be responsible with and accountable for public finances.*
- *Consult with service users, customers and partners.*

#### **7.2 *Risk Management***

There have been no further risks identified other than those highlighted in the report to Council on the 27<sup>th</sup> February 2007.

#### **7.3 *Health and Safety***

No additional implications have been identified.

#### **7.4 *Equality and Diversity***

No material considerations have been identified.

#### **7.5 *Legal and Constitutional***

The Budget Framework for 2007/2008 was prepared in accordance with the Council's Constitution. No other legal or constitutional implications have been identified.

### **8. OVERVIEW AND SCRUTINY IMPLICATIONS**

Consultation and engagement with Overview and Scrutiny Committees has previously been held in development and review of the 2007/2008 Budget Framework.



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**Ward:** Not Ward specific  
**Key Decision:** Validation

**Background Papers:**

- ~ Report to Council 27<sup>th</sup> February 2007 – Budget Framework 2007/2008.
- ~ Report to Council 5<sup>th</sup> July 2007 – Statement of Accounts 2006/07
- ~ Reports to Cabinet 27<sup>th</sup> September 2007- Revenue & Capital Budgetary Control Report – Position at 31<sup>st</sup> July 2007
- ~ Report to Cabinet 1<sup>st</sup> November 2007 – Interim Capital Programme Review 2007/08
- ~ Reports to Cabinet 22<sup>nd</sup> November 2007- Revenue & Capital Budgetary Control Report – Position at 30<sup>th</sup> September 2007
- ~ Reports to Cabinet 28<sup>th</sup> February 2008- Revenue & Capital Budgetary Control Report – Position at 31<sup>st</sup> January 2008
- ~ Reports to Cabinet 3<sup>rd</sup> March 2008- Revenue Budgetary Control Report – Position at 31<sup>st</sup> December 2008

**Examination by Statutory Officers:**

	<b>Yes</b>	<b>Not Applicable</b>
1. The report has been examined by the Council's Head of the Paid Service or his representative.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. The content has been examined by the Council's S.151 Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4. Management Team has approved the report.	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**SUBSTANTIVE CHANGES INTRODUCED INTO THE 2007 SORP**

In England the SORP is part of the 'proper practices' requirements governing the preparation of an authority's Statement of Accounts referred to in section 31 of the Local Government Act 2003. All authorities to which section 21 applies are required to prepare a Statement of Accounts by the Accounts and Audit Regulations and therefore have a statutory duty to comply with the SORP requirements.

The substantive changes introduced into the 2007 SORP that impact on Sedgefield borough are: -

- The replacement of the fixed asset restatement account and capital financing account by a revaluation reserve and capital adjustment account.
- Some new disclosures in respect of Local Area Agreement grant
- New disclosure requirements in respect of financial instruments, which includes loans and receivables and an assessment in respect of their fair value.

The above features have been factored into the Statement of the Accounts and where applicable corresponding figures for 2006/07 have been recast. The details of how the changes have impacted on the council's net worth are shown in Paragraph 7 of the statement of accounting practices on pages 28 and 29.

The new disclosure notes have been incorporated into the document with full details in respect of the financial instruments disclosures shown in pages 59-64