

**NON SERVICE REVENUE ACCOUNTS  
2009/10**



## Non Service Revenue Accounts

### Non Service Revenue Accounts Three Year Forecast - Summary

Service Unit	2007/08	2007/08	2007/08	2007/08	2008/09	2008/09	2008/09	2009/10	2010/11	2011/12
	ORIGINAL ESTIMATE £'000	REVISED ESTIMATE £'000	OUTTURN £'000	ORIGINAL ESTIMATE £'000	LATEST ESTIMATE £'000	PROJECTED OUTTURN £'000	ORIGINAL ESTIMATE £'000	FORECAST £'000	FORECAST £'000	FORECAST £'000
1 Special Provisions and Credits	-310	-948	-1,113	405	163	-310	429	615	684	684
2 Capital Financing	-485	402	283	856	298	-25	4,032	1,810	1,519	1,519
3 Corporate and Democratic Core	4,701	5,499	5,325	5,474	6,465	6,745	5,830	5,780	5,810	5,810
4 Non Distributed Costs	774	774	774	938	938	938	778	778	778	778
5 Total Transferred to Budget Summary	4,680	5,727	5,269	7,673	7,864	7,348	11,069	8,983	8,983	8,791

# Non Service Revenue Accounts

## Special Provisions and Credits

Special provisions and credits brings together various transactions relating to the Council as a whole, many of which are one-off. Consequently there are substantial variations in expenditure between the years.

### Employees (line 1)

Centrally held funds for redundancy costs, employee litigation and unallocated provision for the Senior Officers' pay review.

### Premises - General (line 2)

Provision for revenue effects of uncommitted capital programme schemes pending financial approval of individual schemes.

### Supplies and Services (line4)

The 2007/08 Outturn includes £200k Provision for Mental Health Act 1983 Reimbursements and £44k in respect of prior year adjustments.

The 2008/09 Original Estimate includes £57k relating to additional running costs of signature projects

### Payments to Third Parties/Contractors (line 5)

- Lee Valley Regional Park Authority Levy  
This authority was established by an Act of Parliament in 1996 to regenerate, develop and manage some 10,000 acres of the Lee Valley. The financing of the authority is by means of a levy on Essex and Hertfordshire County Councils and all London Boroughs. The Authority is a key partner in preparing for the 2012 Olympic Games.
- London Pension Fund Authority  
This levy is to meet expenditure on premature retirement compensation and outstanding personnel matters relating to former employees of the Greater London Council and the London Residuary Body and which cannot be charged to the London Pension Fund. The 2009/10 figures also include provision of £70k for a new "special contribution" in respect of a projected deficit on the LPFA pension fund itself.
- Environment Agency  
This levy is the Council's contribution towards flood defence in the Thames Region. The majority of the Agency's funding is in the form of grant aid from the Department of Environment Food and Rural Affairs (DEFRA). This is supplemented by a regional levy on County and Unitary Authorities and London Boroughs.
- Merton and Sutton Joint Cemetary Board  
The Board Maintains a cemetery in Garth Road, first opened in 1947.

### Transfer Payments (line 6)

Contribution to the Invest to Save Reserve to be used as "pump priming" for projects where up front investment can be demonstrated to lead to improved outcomes/efficiencies for Council services.

# Non Service Revenue Accounts

## Special Provisions and Credits

	2007/08	2008/09	2009/10
	Outturn	Original Estimate	Original Estimate
	£'000	£'000	£'000
<b>Expenditure</b>			
1 Employees	407	481	320
2 Premises - General	0	100	100
3 Transport	31	0	0
4 Supplies and Services	244	57	0
5 Payments to Third Parties/Contractors	569	678	794
6 Transfer Payments	100	100	100
7	1,351	1,416	1,314
<b>Income</b>			
8 Other Grants, Reimbursements & Conts.	-2,464	-1,011	-885
9	-2,464	-1,011	-885
<b>10 Net Expenditure (£'000)</b>	<b>-1,113</b>	<b>405</b>	<b>429</b>

### Levies Payable (Line 5 - Payments to Third Parties/Contractors).

	2007/08	2008/09	2009/10
	Actual	Original Estimate	Original Estimate
	£'000	£'000	£'000
Lee Valley Regional Park Authority	220	223	227
London Pensions Fund Authority	216	308	367
Environment Agency	133	147	150
Merton & Sutton Joint Cemetery Board	0	0	50
	<b>569</b>	<b>678</b>	<b>794</b>

### Other Grants, Reimbursements & Contributions (Line8).

	2007/08	2008/09	2009/10
	Actual	Original Estimate	Original Estimate
	£'000	£'000	£'000
Contribution from Insurance Reserve	-200	0	-100
Interest on Balances & Capital Receipts	-1,822	-1,000	-702
Contribution from Other Local Authorities/Joint Boards	-71	-11	-83
Creditors accounted for in 2006/07 but no longer required	-371	0	0
	<b>-2,464</b>	<b>-1,011</b>	<b>-885</b>

# Non Service Revenue Accounts

## Capital Financing

The Local Government Act 2003 provides the primary legislation for the current system of capital finance which was introduced from 1 April 2004. This allows the Council to decide its level of affordable borrowing, having regard to CIPFA's Prudential Code. Prudential limits apply to all borrowing, qualifying credit arrangements and other long term liabilities, whether supported by Government or entirely self funded.

### **Provision for Repayment of Loans (line 1)**

Where capital expenditure has been incurred through the use of borrowing approvals, the Council is required to set aside an amount from revenue to provide for the eventual repayment of this expenditure. New guidance was issued in February 2008, and the policy on how Sutton is implementing this policy is included in the Council's Treasury Management Strategy.

### **External Interest Payable (line 2)**

External interest payable represents fully accrued interest on both long term and short term loans.

### **Premiums re Debt Rescheduling (line 3)**

As a consequence of several debt rescheduling exercises, the Council paid premiums to the PWLB for early redemption of loans. The budget provides for the writing out of these payments over the life of the replacement loans, except for the elements relating to the HRA which are being written out of the loan replaced, or over 10 years if less.

### **Contribution to Revenue Reserve (line 4)**

A provision for an annual contribution to the Revenue Reserve for Financing Capital Expenditure.

### **Depreciation Charge to General Fund Services (line 6)**

The Statement of Recommended Practice (SORP) requires local authorities to make provision for depreciation on all assets with a finite life. Depreciation based on the estimated life of individual assets, as advised by the Council's valuer, has been applied across most assets but excluding investment properties, land and community assets. Depreciation on HRA Assets is included within the ring-fenced HRA Accounts.

### **Prudential Borrowing Costs Recovered from Education (line 7)**

Under the Prudential Code, lease finance can only be used when it is the most effective source of finance. Up to 2004 Sutton had used lease finance to provide match funding contributions to the National Grid for learning programme and to purchase education equipment. The associated leasing rental charges were met from the education services budget. To overcome this problem a replacement revenue contribution to capital expenditure from education has been introduced (Minute 271/04).

### **Discounts re Debt Rescheduling (line 9)**

Several debt rescheduling exercises have resulted in discounts being paid to the Council. The budget provides for the discount to be written down over the life of the loans replaced, or ten years, whichever is less.

# Non Service Revenue Accounts

## Capital Financing

	2007/08	2008/09	2009/10
	Outturn	Original Estimate	Original Estimate
	£'000	£'000	£'000
<b>Expenditure</b>			
1 Provision for Repayment of Loans	3,039	3,468	3,672
2 External Interest Payable	3,210	3,385	3,277
3 Cap Exp Charge to GF Revenue Account			3,000
3 Premiums Re Debt Rescheduling	93	94	94
4 Contribution to Revenue Reserve	50	50	50
5	6,392	6,997	10,093
<b>Income</b>			
6 Depreciation Charge to GF Services	-5,661	-5,658	-5,527
7 Prudential Borrowing Costs Recovered from Education	-382	-420	-479
8 Release of Government Grant	-9		
9 Discounts Re Debt Rescheduling	-39	-48	-42
10 Recovery of Interest - External Borrowers	-18	-15	-13
11	-6,109	-6,141	-6,061
12 <b>Net Expenditure (£'000)</b>	283	856	4,032

### Long Term Loans Outstanding at:

31 March 2005	£61.6m
31 March 2006	£66.4m
31 March 2007	£66.0m
31 March 2008	£65.3m
31 March 2009 (estimate)	£65.1m

### Average Borrowing Rate

2004/05	5.39%
2005/06	5.33%
2006/07	5.29%
2007/08	5.09%
2008/09 (Estimate)	5.00%

# Non Service Revenue Accounts

## Corporate & Democratic Core

Corporate and Democratic Core (CDC) costs comprise activities which local authorities engage in specifically because they are elected multi-purpose authorities; that is those activities which are over and above those which would be needed to manage all the various services if they were run by single purpose authorities.

Under the Best Value Accounting - Code of Practice, Corporate and Democratic Core has been split into two categories.

- (i) Democratic Representation and Management (DRM)  
This covers all aspects of members' activities including meetings that involve members acting on behalf of the authority. This includes meetings of the Council, committee meetings, joint officer/member working parties and executive group meetings. It also covers the costs associated with officer advice and support to members, and subscriptions to local authority associations.
- (ii) Corporate Management (CM)  
This covers those activities and costs which provide the infrastructure which allows services to be provided, whether by the authority or not, and the information which is provided for public accountability. Corporate management also includes the cost of treasury management and bank charges, external audit and external inspections.

## Non Distributed Costs

To comply with the Best Value Accounting Code of Practice (BVACOP) the cost of retirement benefits included in the cost of services should cover only current service pension costs. All other elements of retirement benefit costs (e.g. past service costs, settlements and curtailments) should be treated as non-distributed costs. The non-distributed costs included in estimates relate to central support services. For management accounting purposes all pension costs relating to direct services are included in service groups estimates and then adjusted outside the budgetary process to conform to BVACOP.

# Non Service Revenue Accounts

## Corporate & Democratic Core

	2007/08	2008/09	2009/10
	Outturn	Original Estimate	Original Estimate
	£'000	£'000	£'000
<b>Expenditure</b>			
Support Services			
1 - Democratic Representation and Management	3,055	3,065	3,210
2 - Corporate Management	2,270	2,409	2,620
3	5,325	5,474	5,830
<b>4 Net Expenditure (£'000)</b>	<b>5,325</b>	<b>5,474</b>	<b>5,830</b>

## Non Distributed Costs

	2007/08	2008/09	2009/10
	Outturn	Original Estimate	Original Estimate
	£'000	£'000	£'000
<b>Expenditure</b>			
1 Employee Costs	774	938	778
2	774	938	778
<b>3 Net Expenditure (£'000)</b>	<b>774</b>	<b>938</b>	<b>778</b>

