

Meeting: **Audit Committee**

Portfolio Area: Resources

Date: **26th June 2007**

**STATEMENT OF ACCOUNTS AND CAPITAL CONTROL SYSTEM
DETERMINATIONS 2006/07**

(Strategic Management Board – Strategic Director (Chief Financial Officer))

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1 PURPOSE

- 1.1 To present the 2006/07 Statement of Accounts to the Audit Committee for review before submitting to the Statement of Accounts Committee for approval.
- 1.2 To review certain capital financing determinations required under the Local Government and Housing Act 1989 and the Local Authorities (Capital Finance and Accounting) Regulations 2003, before submission to the Statement of Accounts Committee for approval.

2 RECOMMENDATIONS

- 2.1 That the 2006/07 Statement of Accounts and capital financing determinations be noted and any comments from the Audit Committee be presented to the Statement of Accounts Committee.

3 BACKGROUND

- 3.1 The Council has a statutory obligation to publish the 2006/07 Statement of Accounts by 30th September 2007. Approval by committee/full council is required by 30th June 2007. In the Council's Constitution approval of the Statement of Accounts is delegated to the Statement of Accounts Committee.
- 3.2 The Audit Committee was established in May 2006 as an advisory committee of the Council. As such it has an important role to play in reviewing the Statement of Accounts and forming part of the robust member scrutiny of the Accounts expected by the Audit Commission. Formal responsibility for approving the Statement of Accounts remains the responsibility of the Statement of Accounts Committee. Any comments from the Audit Committee will be tabled at the Statement of Accounts Committee meeting on 28th June 2007.
- 3.3 Under the Local Government and Housing Act 1989 each authority must make certain determinations each year. These determinations relate to capital financing transactions in the preceding financial year.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Statement of Accounts 2006/07 (Appendix A)

4.1.1 The Statement has been produced in accordance with the Code of Practice on Local Authority Accounting Statement of Recommended Practice 2006 (SoRP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Accounts incorporate significant changes in the format of reporting from last years Accounts, as required by the 2006 SORP, and the prior years figures have been restated accordingly, to aid comparison. In addition the Council established Stevenage Homes Limited (SHL), an Arm's Length Management Organisation (ALMO), on 1st October 2006 to manage and maintain the Council's Housing Stock on behalf of the Council. The Council's 2006/07 Statement of Accounts also reflects the requirement for SHL's Company Accounts to be "grouped" with those of the Council for financial reporting purposes.

4.1.2 The accounts are currently subject to audit and the Statement may be subject to amendment before publication if requested by the Audit Commission. Revised pages will be issued to Members for any significant amendments.

4.2 Capital Control System Determinations 2006/07

4.2.1 Determination 1

The use to be made in 2006/07 of usable capital receipts: (i.e. the main source of funding the Council's capital programme):

	£'000
Capital Expenditure 2006/07	21,073
Less Accruals 31.3.07	(1,123)
Plus Unfinanced 2005/06	1,670

Total to be financed 2006/07	21,620
<u>less</u> Other Sources of Funding:	
Government Contributions	
- Improvement Grant Subsidy	234
- Major Repairs Allowance	5,710
Revenue Contributions	170
Contributions from other bodies	1,357

Total other sources	7,471

Balance to be met from Capital Receipts	14,149

4.2.2 Determination 2

The amounts to be set aside from revenue as provision for credit liabilities i.e. outstanding capital debt.

The legislation prescribes a minimum amount called the Minimum Revenue Provision (MRP) that must be set aside, calculated as a percentage of an authority's net debt. In other words, this represents the minimum amount which the Council must set aside within its revenue accounts for the year in question, to repay outstanding debt.

From 1998/99 the Council was in a net investment position rather than having net debt and from March 2001 has been debt free and in accordance with the regulations no MRP is required.

5 IMPLICATIONS

5.1 Financial Implications

Revenue

5.1.1 A summary of the 2006/07 outturn is as follows:-

	<u>Probable</u>	<u>Actual</u>	<u>Variation</u>
	£'000	£'000	£'000
Expenditure / (Income)			
General Fund	14,747	14,458	(289)
HRA	1,635	1,230	(405)

An analysis of the major variances is attached at Appendix B

5.1.2 The HRA underspend of £405k includes a number of underspends across Management General and Special Expenses and receipt of additional income in a number of areas as summarised in Appendix B. In addition to the net underspend of £405k on the HRA, SHL's own Company Accounts for the first six months of operation show a retained profit as at 31st March 2007 of some £340k. This retained surplus broadly reflects the extent to which the agreed management fee for the period 1st October 2006 to 31st March 2007 exceeded SHL's actual costs incurred during that period. The level of the retained surplus will be taken into account by the Council in re-negotiating the management fee in future.

5.1.3 A pattern of net underspending has been a feature of the outturn for a number of years. The 2006/07 Outturn generally contains a number of offsetting over and under spends, with the overall net underspend on the General Fund largely reflecting sums in respect of projects which by their nature are difficult to accurately phase into each individual financial year. These are areas such as the Local Development Framework, West of Stevenage and Local Area Committee schemes, where slippage has occurred and requests to carry forward the resulting underspent budgets into the 2007/08 financial year might normally be requested. In line with the procedure

adopted last year, it is proposed that carry forward budgets are not approved at this stage. Officers will reprioritise within their existing 2007/08 budgets and only where backlog spend pressures cannot be absorbed will additional finance by way of carry forward be considered.

- 5.1.4 It is proposed to request that the Executive give delegated authority to the Strategic Director (Chief Finance Officer) to approve supplementary estimates where they relate to expenditure that would have been funded by carry forwards, to a maximum of £275,000.

Capital

- 5.1.5 The proposed use of capital resources is in line with the Capital Strategy.

5.2 Legal Implications

None.

5.3 Other Implications

No Policy, Planning, Environmental, Staffing and Accommodation, Human Rights, Equal Opportunities, Service Delivery, Community Safety, Information Technology or other Corporate Implications.

BACKGROUND DOCUMENTS

- 2006/07 Ledger
- Final Accounts Working Papers
- Housing Subsidy Determinations

APPENDICES

- Appendix A - Statement of Accounts 2006/07
- Appendix B - 2006/07 Outturn – Analysis of Major Variances