

Meeting: AUDIT COMMITTEE

Agenda Item:

Date: 24 June 2008

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STATEMENT OF ACCOUNTS 2007/08 AND CAPITAL CONTROL SYSTEM DETERMINATIONS

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1. PURPOSE

- 1.1 To present the 2007/08 Statement of Accounts to the Audit Committee for review prior to submission to Council 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, prior to submission to Council for approval.

2. RECOMMENDATIONS

- 2.1 That the 2007/08 Statement of Accounts and capital financing determinations be considered and recommended to Council for approval.
- 2.2 That Members consider the 2007/08 outturn position and recommend to Council the approval of carry forward requests relating to under spent budgets totalling £150,970 for 2008/09.
- 2.3 That Members recommend to Council the approval of £165,000 net transfer to reserves.

3. BACKGROUND

- 3.1 The Statement of Accounts are prepared in accordance with the Accounts and Audit Regulations 2003 and are compiled to demonstrate probity and stewardship of public funds as well as complimenting performance reporting.
- 3.2 Local authorities have a statutory obligation to publish the audited 2007/08 Statement of Accounts by 30 September 2008. Approval by Audit

Committee/Council is required by 30 June 2008. In the Council's Constitution, approval of the Statement of Accounts is required by Council.

The time scales involved with the approval, inspection and audit of the 2007/08 Accounts are:

	Approval and Audit Process	Date
(a.)	Draft Annual Governance Statement considered by Audit Committee	10 June 2008
(b.)	Draft Statement of Accounts to Audit Committee	24 June 2008
(c.)	Approval of Statement of Accounts (subject to Audit) by Council	25 June 2008
(d.)	Audit due to commence	Mid July 2008
(e.)	Accounts available for statutory Public Inspection	7 Aug 2008
(f.)	Any Audit Issues reported to Audit Committee	25 Sept 2008
(g.)	Auditors final opinion on Statements (prior to)	30 Sept 2008

- 3.3 The Council must make the Statement of Accounts available for public inspection for 20 working days. Following notification from the Auditor, this is due to commence on 7th August 2008.
- 3.4 Following completion of the Audit and finalisation of the Statement of Accounts for 2007/08, a Summary of Accounts will be produced. This will be a short, user-friendly summary of the more detailed and technically complex Statutory publication.
- 3.5 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 public and the Audit Commission.
- 3.6 Formal responsibility for approving the Statement of Accounts remains the responsibility of Council, and comments from the Audit Committee will be tabled at the Council meeting on 25 June 2008.
- 3.7 Under the Local Government and Housing Act 1989 each authority must also 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 2007/08 (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 2007 (SoRP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 4.1.2 A fundamental review of the accounts was undertaken for the production of the

2007/08 Statement of Accounts following issues identified by the Audit Commission during their audit of the 2006/07 Accounts. In addition, the new Head of Finance has introduced a number of improvements to the supporting notes to the accounts in order to improve understanding. Consequently, a number of prior years figures have been restated accordingly, to aid comparison.

- 4.1.3 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. Accordingly, the Council's 2007/08 Statement of Accounts also reflects the requirement for SHL's Company Accounts to be "grouped" with those of the Council for financial reporting purposes.
- 4.1.4 The Council's Medium Term Financial Strategy (MTFS) and 5 Year Capital Strategy will be updated to reflect the 2007/08 outturn and the matters contained within this report.
- 4.1.5 The Accounts are currently subject to audit and the Statement may be subject to amendment prior to publication if requested by the Audit Commission. Revised pages will be issued to Members for any significant amendments. The draft Statement of Accounts will be published on the Council's Internet site once approved by Council.

4.2 Capital Control System Determinations 2007/08

4.2.1 Determination 1

The use to be made in 2007/08 of usable capital receipts: (i.e. the main source of funding the Council's capital programme):

	£,000
Capital Expenditure during 2007/08	15,699
Add : Unfinanced capital expenditure from 2006/07	1,123
Total to be financed 2007/08	16,822
Less other Sources of Funding :	
Government Contributions	
- Grants	2,951
- Housing Subsidy and Major Repairs Allowance	5,761
Revenue Contributions	2
Contributions from other bodies	873
Unfinanced Capital Expenditure (*)	(1,123)
Total Funding form other Soruces	8,464
Balance to be met from Capital Receipts	8,358

(*) From 2007/08 the Council finances accruals in - year in respect of capital expenditure

4.2.2 Determination 2

Determination 2 relates to 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 has been in a net investment position rather than having net debt and from March 2001 has been debt free and in accordance with the regulations, and therefore no MRP is required.

5. IMPLICATIONS

5.1 Financial Implications

Revenue

5.1.1 A summary of the 2007/08 outturn is as follows:-

Fund	Probable £'000	Outturn £'000	Variation £'000
General Fund	15,131	14,840	(291)
HRA	893	(236)	(1,129)

General Fund	Original Budget £'000	Probable Budget £'000	Actual £'000	Difference £'000
Gross Expenditure on Services	132,867	124,492	127,865	3,373
Income	(117,983)	(109,361)	(113,025)	(3,664)
Net Expenditure on Services	14,884	15,131	14,840	(291)
Collection Fund Income	(12,490)	(12,490)	(12,490)	0
Net change in reserves for year	2,394	2,641	2,350	(291)
Balance brought forward	(7,376)	(7,376)	(7,376)	0
Balance Carried forward	(4,982)	(4,735)	(5,026)	(291)

The overall position on the General Fund shows an under-spend compared to Probable Budget of £291,000 after taking into account a number of variances including the following (a more detailed analysis of General Fund variances is shown in **Appendix B**) :

1. **Housing and Council Tax Benefits (-£439,000)** - The £439,000 is a favourable variance whereby the Council anticipates receiving more subsidy from the Government to cover Housing and Council Tax Benefit costs. This will be confirmed following the audit of the Benefit Subsidy Claim.

Improvements in forecasting the Benefit Subsidy position have recently been put in place to reduce the level of future years variations.

2. **Regeneration / Consultant Fees (-£172,000)** - This underspend relates to unavoidable delays in our regeneration schemes. These schemes are complex in nature and consequently phasing of spend is difficult to predict.
3. **Commercial Properties (-£83,000)** - This relates to increased income being achieved against budget. This additional income has been achieved from the Westgate Centre, Chells Enterprise Village and minor land receipts.
4. **Area Committees (-£69,000)** - Historically spend relating to approved Area Committee schemes does slip into the following financial year with some schemes only recently being approved. A carry forward request has been made to ensure these schemes are fully funded when delivered.

Housing Revenue Account Probable Budget	Outturn	Variation
£'000	£'000	£,000
Supervision & Management		
- General	21,778	5,960
- Special	1,868	(179)
Repairs & Maintenance	5,804	(274)
Total Expenditure (*)	29,450	5,507
Less : Income (*)	(23,050)	(6,636)
Net Cost of Service (*)	(236)	(1,129)

(*) The outturn income and expenditure totals include depreciation and impairment of fixed assets, but these are notional capital charges and do not have an effect on the net cost of service.

The HRA underspend of £1.129m includes a number of variations across Management General and Special Expenses and additional income in a number of areas as summarised in **Appendix B**. In addition to the net underspend of £1.129m on the HRA, SHL's own Company Accounts show a retained profit as at 31st March 2008 of some £1,531k surplus against the forecast of £799k. This retained surplus broadly reflects the extent to which the agreed management fee for the period 1 April 2007 to 31 March 2008 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.

5.1.2 An analysis of all major variances for the General Fund and Housing Revenue Account are attached at **Appendix B**.

5.1.3 **Transfer to Reserves**

As part of the 2007/08 Closedown, the Council's Chief Finance Officer made arrangements to transfer the following amounts into reserves to help fund future potential liabilities :

Transfer to	Sum Transferred
Insurance Fund	£50,000

Capital De-minimus Fund	£100,000
Capacity Building Reserve	£100,000
Other Earmarked Reserves	(£85,000)
Total	£165,000

It should be noted that in addition to the above transfers, a provision has been made for the sum of £978,000 (including £223,000 in respect of HRA) for the implementation of Single Status.

5.1.4 General Fund Carry Forward Requests

A pattern of net underspending has been a feature of the Council's outturn for a number of years, although through more robust in year budget management these variations have reduced significantly over the last few years. The 2007/08 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 Area Committee schemes and specific project work, where slippage has occurred and requests to carry forward the resulting underspent budgets into the 2008/09 has been requested. These proposed carry forward budgets are as follows :

Transfer to	Sum Requested
Area Committee Schemes	£23,970
The Stevenage Story (Book)	£30,000
Introduction of Local Housing Allowance	£80,000
Staff Survey	£15,000
Print costs for Chronicle	£2,000
Total	£150,970

Capital

5.1.5 The outturn position for the capital programme for 2007/08 is set out in the table below. The table compares the outturn with the original programme :

Capital Programme 2007/08	Original Budget	Outturn
General Fund	£23,718	£10,732
Housing Revenue Account	£10,561	£6,090
Total	£34,279	£16,822

The capital programme has been financed from the following sources :

Source of Finance	2007/08
	£'000
Capital Receipts	(8,358)
Grants	(2,951)

Contributions	(873)
Sums set aside from Revenue	(2)
Housing Subsidy & Major Repairs Allowance	(5,761)
Unfinanced capital expenditure(*)	1,123
	(16,822)

(*) From 2007/08 the Council finances accruals in - year in respect of capital expenditure.

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

- 2007/08 General Ledger
- Final Accounts Working Papers
- 2007/08 Medium Term Financial Strategy Update
- Local Government Finance Settlement
- Housing Subsidy Determinations

APPENDICES

- **Appendix A** - Statement of Accounts 2007/08
- **Appendix B** - 2007/08 Outturn - Analysis of Major Variances (General Fund and Housing Revenue Account)