

**Meeting:** **Statement of Accounts**

Portfolio Area: Resources

**Date:** **28th July 2005**

**STATEMENT OF ACCOUNTS AND CAPITAL CONTROL SYSTEM  
DETERMINATIONS 2004/05**

(Strategic Management Board – Assistant Chief Executive (Finance))

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**1 PURPOSE**

- 1.1 To submit the 2004/05 Statement of Accounts for approval.
- 1.2 To approve certain capital financing determinations required under the Local Government and Housing Act 1989 and the Local Authorities (Capital Finance and Accounting) Regulations 2003.

**2 RECOMMENDATIONS**

- 2.1 That the 2004/05 Statement of Accounts be approved.
- 2.2 That usable capital receipts of £12.792m be applied to meet expenditure for capital purposes in 2004/05.
- 2.3 That the budgeted 2004/05 HRA Revenue Contribution to Capital Outlay (RCCO) of £647,000 be deferred.
- 2.4 That the amount of £8.753m be transferred to Usable Capital Receipts from the amounts set aside as Provision for Credit Liabilities.

**3 BACKGROUND**

- 3.1 The Council has a statutory obligation to publish the 2004/05 Statement of Accounts by 31<sup>st</sup> October 2005. Approval by committee/full council is required by 31st July 2005.
- 3.2 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.
- 3.3 In addition following the introduction of the Prudential Code from 1<sup>st</sup> April 2004 and as required under Regulation 33 of the Local Authorities (Capital Finance and Accounting) Regulations 2003 Debt Free authorities are to make a formal determination of the amount to be transferred to Usable Capital Receipts from the

amounts set aside as Provision for Credit Liabilities as at 31<sup>st</sup> March 2004. This amount can be up to the total negativity of the credit ceiling and represents the balance of previously reserved receipts available after repayment of external debt. For SBC the total is £8.753m which is already included in the Capital Strategy Resources and it is proposed that this maximum amount be transferred. These monies form part of the Council's Investments which generate interest for the revenue account.

## 4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

### 4.1 Statement of Accounts 2004/05

The Statement of Accounts is attached as Appendix A. The Statement has been produced in accordance with the Code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy.

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

### 4.2 Capital Control System Determinations 2004/05

#### 4.2.1 Determination 1 - the use made of credit approvals (i.e. capital expenditure from sources of "credit" which is normally borrowing).

Credit approvals were abolished under the Prudential Code and this Determination is therefore no longer applicable.

#### 4.2.2 Determination 2 – the use to be made in 2004/05 of usable capital receipts: (i.e. the main source of funding the Council's capital programme):

	£'000
Capital Expenditure 2004/05	19,300
Less Accruals 31.3.05	(1,961)
Plus Unfinanced 2003/04	1,519
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Total to be financed 2004/05	18,858
<u>less</u> Other Sources of Funding:	
Government Contributions	
- Improvement Grant Subsidy	96
- Major Repairs Allowance	5,284
- Supporting People Grant	513
Revenue Contributions	0
Contributions from other bodies	173
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Total other sources	6,066
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Balance to be met from Capital Receipts	12,792
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- 4.2.3 Determinations 3 – 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 2004/05 outturn is as follows:-

	<u>Probable</u>	<u>Actual</u>	<u>Variation</u>
	£'000	£'000	£'000
Expenditure(Income)			
General Fund	11,914	10,902	( 1,012)
Trading Accounts	( 222)	( 373)	( 151)
HRA	373	( 614)	( 987)

An analysis of the major variances is attached as Appendix B

The General Fund underspend of £1,012k includes £240k relating to the District Plan.

The HRA underspend of £987k includes £228k in respect of Planned and Responsive Maintenance plus £647k for the proposed deferral of the RCCO. The deferral of the RCCO will provide the flexibility to fund set up costs for the Arms Length Management Organisation and any unrecoverable costs in respect of Harrow Court.

- 5.1.2 The pattern of underspending has been a feature of the outturn for a number of years and significant sums have been carried forward to fund delayed projects etc. It is proposed that carry forward budgets are not approved at this stage. Officers will reprioritise within their existing 2005/06 budgets and only where backlog spend pressures cannot be absorbed will additional finance be considered. Notwithstanding the above, and because of the sums involved for District Plan £240k and Phase 2

FIS Implementation £104k, after further analysis of the likely timing of payments additional finance may be unavoidable.

- 5.1.3 Within the General Fund Financial Strategy Report to the Executive in July it was proposed that delegated authority be given to the Assistant Chief Executive (Finance) to approve supplementary estimates where they relate to expenditure that would have been funded by carry forwards. The ACE(F) will update Members at the meeting on whether this proposal was agreed by the Executive.

Capital

- 5.1.4 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**

- 2004/05 Ledger
- Final Accounts Working Papers
- Housing Subsidy Determinations

## **APPENDICES**

- Appendix A - Statement of Accounts 2004/05
- Appendix B - 2004/05 Outturn – Analysis of Major Variances