

Meeting: STATEMENT OF ACCOUNTS

Agenda Item:

Date: 29 June 2009

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STATEMENT OF ACCOUNTS 2008/09 AND CAPITAL CONTROL SYSTEM DETERMINATIONS

Author - Clare Fletcher Ext No. 2933
Lead Officer - Scott Crudgington Ext No. 2185
Contact Officer - Clare Fletcher Ext No. 2933

1. PURPOSE

- 1.1 **Reason for Urgency.** It is a statutory requirement for the Audit Committee and the Statement of Accounts Committee to formally approve the Statement of Accounts by the 30 June 2009.
- 1.2 To present the 2008/09 Statement of Accounts to the Audit Committee for review prior to submission to Statement of Accounts Committee for approval.
- 1.3 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 and amended by the 2006 and 2009 regulations, prior to submission to Statement of Accounts Committee for approval.

2. RECOMMENDATIONS

- 2.1 That the 2008/09 Statement of Accounts and capital financing determinations be considered and recommended to the Statement of Accounts Committee for approval.
- 2.2 That Members consider the 2008/09 out turn position and recommend to Statement of Accounts Committee the approval of carry forward requests relating to under spent budgets totalling £53,580 for 2009/10.
- 2.3 That Members recommend to the Statement of Accounts Committee the approval of £12,277 net transfer from 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 2008/09 Statement of Accounts by 30 September 2009. Approval by Audit Committee/Council is required by 30 June 2009. In the Council's Constitution, approval of the Statement of Accounts is required by Council, although this has been formally delegated to the Statement of Accounts Committee for 2008/09.

The time scales involved with the approval, inspection and audit of the 2008/09 Accounts are:

	Approval and Audit Process	Date
(a.)	Draft Annual Governance Statement considered by Audit Committee	8 June 2009
(b.)	Draft Statement of Accounts to Audit Committee	29 June 2009
(c.)	Approval of Statement of Accounts (subject to Audit) by Statement of Accounts Committee	29 June 2009
(d.)	Audit due to commence	Mid August 2009
(e.)	Accounts available for statutory Public Inspection	1 Sept 2009
(f.)	Any Audit Issues reported to Audit Committee	22 Sept 2009
(g.)	Auditors final opinion on Statements (prior to)	30 Sept 2009

- 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 1 September 2009.
- 3.4 Following completion of the Audit and finalisation of the Statement of Accounts for 2008/09, a Summary of Accounts will be produced. This will be a short, user-friendly summary of the more detailed and technically complex statutory publication. This summary will be published on the internet and in Chronicle.
- 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 Council's external auditors.
- 3.6 Formal responsibility for approving the Statement of Accounts remains the responsibility of Council, for 2008/09 this has been delegated to the Statement of Accounts Committee, in order that the accounts are approved prior to the 30 June 2009 statutory deadline.
- 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 2008 (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. Improvements to the accounts resulted in a positive audit inspection letter from the Audit commission, which was reported to the Audit Committee at the 8 June meeting. Furthermore the Use of Resources score for financial reporting increased from one to a two rating.
- 4.1.3 More work has been undertaken in 2008/09 to improve financial reporting including a full balance sheet audit. This was required to prove the integrity of the Council's accounts and will be reviewed on a quarterly basis throughout the year. As a result of this work a number of historic balances were written off the balance sheet.
- 4.1.4 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 2008/09 Statement of Accounts also reflects the requirement for SHL's Company Accounts to be "grouped" with those of the Council for financial reporting purposes.
- 4.1.5 The Council's Medium Term Financial Strategy (MTFS) and 5 Year Capital Strategy will be updated to reflect the 2008/09 out turn 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 Council's external auditors. 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 Statement of Accounts Committee.

4.2 Capital Control System Determinations 2008/09

4.2.1 Determination 1

The use to be made in 2008/09 of usable capital receipts: (i.e. the main source of funding the Council's capital programme):

	£,000
Capital Expenditure during 2008/09	21,549
Less other Sources of Funding :	
Government Contributions:	
- Grants	4,295
- Housing Subsidy and Major Repairs Allowance	5,866
Contributions from other bodies	792
Total Funding from other Sources	10,953
Balance to be met from Capital Receipts	10,596

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 Summary

5.1.1 A summary of the 2008/09 out turn is as follows:-

	Working	Out turn	Variation
	£'000	£'000	£'000
Fund			
General Fund	14,935	15,068	+133
HRA	1,366	988	(378)

5.1.2

General Fund	Original Budget	Working Budget	Actual 2008/09	Variance
	£'000	£'000	£'000	£'000
Gross Expenditure on Services	71,395	71,640	75,828	4,188
Income	(51,223)	(51,538)	(52,669)	(1,131)
Reversal of capital charges to neutralise impact on Council Tax	(5,160)	(5,167)	(8,091)	(2,924)
Net Expenditure on Services	15,012	14,935	15,068	+133
Grants (NNDR and RSG)	(7,775)	(7,775)	(7,775)	0
Collection Fund Income	(5,173)	(5,173)	(5,173)	0
Net change in Reserves for Year	2,064	1,987	2,120	+133
Balance Brought Forward	(5,026)	(5,026)	(5,026)	0
Use of Reserves in Year	2,064	1,987	2,120	0
Balance Carried Forward	(2,962)	(3,039)	(2,906)	+133

The overall position on the General Fund shows an over spend compared to the working budget of £132,498, these variations are shown in Appendix B.

5.1.3 At the March Executive, the 3rd quarter revenue monitoring report advised Members that as a result of the deferral/deletions in the capital programme, (as a result of falling receipts) the Council had applied for a capitalisation direction from the government. This was to fund the redundancy costs from capital resource and not from revenue budgets, however this was not approved by the Government for 2008/09. This means costs of £231,141 have to be met from the General Fund

5.1.4

Housing Revenue Account	Original Budget £'000	Working Budget £'000	Actual 2008/09 £'000	Variance £'000
Gross Expenditure on Services	38,387	39,462	50,221	10,759
Income	(35,829)	(36,173)	(36,402)	229
Reversal of capital entries to neutralise impact on HRA	(1,279)	(1,923)	(12,831)	(10,908)
Net Expenditure on Services	1,279	1,366	988	(378)
Balance Brought Forward	(3,083)	(3,083)	(3,083)	0
Use of Balances	1,279	1,366	988	(378)
Balance Carried Forward	(1,804)	(1,717)	(2,095)	(378)

(*) The out turn 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 £378,550 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 £387,550 on the HRA, SHL's own Company Accounts show as at 31st March 2009 of **£1Million deficit against the forecast deficit of £872,000. Members agreed as part of the budget setting process to return some of SHL's retained surplus (accrued in prior years) to the HRA.**

5.1.5 Transfer to Reserves

Members have approved the transfer to and from reserves as part of the quarterly monitoring process. The projection at the 3rd quarter was an earmarked reserve balance of £426,168. The total value of transfers to/from reserves for 2008/09 was £120,793, giving a year end balance of £438,445.

Reserve	Balance 1 April 2008 £'000	In Year Movement £'000	Balance 31 March 2009 £'000
Commercial Property	100	0	100
Capacity Building	100	(14)	86
Insurance	50	0	50
Deminimus	100	0	100
Trading	190	(88)	102
House Purchase	19	(19)	0
Total	559	(121)	438

5.1.6 General Fund Carry Forward Requests

In the 3rd quarter monitoring report, Members approved carry forwards of £125,750, giving total carry forwards approved of £144,750. A further £53,580 of carry forwards is requested as part of the closure process. Carry forwards should only be approved if they are in relation to 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 2009/10 has been requested. These proposed carry forward budgets are as follows :

Transfer to	Sum Requested
Area Committee Schemes	£19,000
Internal Audit Computer audit fees	£7,100
Election training fees	£3,100
Telephone survey (2nd instalment)	£7,680
Policy Partnership	£11,700
Pathfinder contribution	£5,000
Total	£53,580

5.1.7 Impact of 2008/09 Expenditure on 2009/10 General Fund Budget

The table below details the 2009/10 General Fund budget as a result of the 31 March position. The MTFs will be presented to Members at the July Executive, this will include current pressures and savings identified by officers.

General Fund 2009/10	£'000
Original Budget Approved February 2009	15,073
3rd quarter approved 2009/10 adjustments	54
Carry Forwards June 2009	54
Total Net Expenditure	15,181
Precept and Government Grants	13,268
Use of General Fund Balances in 2009/10	1,913
Opening Balance 1 April 2009	(2,906)
Use of balances	1,913
Closing Balance 31 March 2010	(993)
Earmarked Reserves 31 March 2010	(389)
Total Revenue Reserves 31 March 2010	(1,382)

Capital

5.1.8 The out turn position for the capital programme for 2008/09 is set out in the table below. The table compares the out turn with the original programme :

Capital Programme 2008/09	Working Budget £'000	Outturn £'000	Variance £'000
General Fund	12,811	10,938	1,873
Housing Revenue Account	12,529	10,611	1,918
Total	25,340	21,549	3,791

The capital programme has been financed from the following sources :

Source of Finance	2008/09 £'000
Capital Receipts	(10,596)
Grants	(4,295)
Contributions	(792)
Housing Subsidy & Major Repairs Allowance	(5,866)
Total	(21,549)

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

- 2008/09 General Ledger
- Final Accounts Working Papers
- 2008/09 Medium Term Financial Strategy Update
- Local Government Finance Settlement
- Housing Subsidy Determinations

APPENDICES

- **Appendix A** - Statement of Accounts 2008/09
- **Appendix B** - 2008/09 Out turn - Analysis of Major Variances (General Fund and Housing Revenue Account)