

COMMITTEE:	CABINET		
DATE:	5th SEPTEMBER 2002		
SUBJECT:	STATEMENT OF ACCOUNTS 2001-2002		
REPORT OF:	DIRECTOR OF FINANCE AND CORPORATE SERVICES		
Ward(s):	All		
Purpose:	To present the Statement of Accounts for the year ended 31 st March 2002 and to determine related capital matters specified under Part 4 of the Local Government and Housing Act 1989.		
Contact:	Sue McHugh Director of Finance And Corporate Services, Telephone 01323 415104.		
Recommendations:	Cabinet is asked to recommend to full Council that it:		
	i)	approves the Statement of Accounts for the financial year ended 31st March 2002,	
	ii)	approves the final capital programme outturn as set out in <u>Appendix 3</u> ,	

		iii)	approves the capital programme financing arrangements, as set out in <u>Appendix 3</u> , in order to satisfy the determinations required under sections 42(2) (g), 56(1) and 60(2).	
		iv)	satisfies the requirements of section 56(2) by determining that no amount of credit approval be transferred to another authority, and	
		v)	approves the set aside of £894,000 from the Consolidated Revenue Account as provision for credit liabilities, in order to satisfy the minimum revenue provision requirement of section 63(1).	
1.	<u>Background</u>			
1.1.	This report sets out the background to the requirement for the Council to approve the Statement of Accounts, together with some notes on the statement and its contents.			

1.2.	It also leads to a requirement to make a number of determinations as specified by the Local Government and Housing Act 1989. This covers how the capital programme is funded and whether any credit approvals are to be transferred to another authority. In addition, a determination is required on the amount to be set aside from revenue as provision for credit liabilities.	
2.	<u>Requirement for Approval</u>	
2.1.	The Accounts and Audit Regulations 1996 sets out the requirements for the production and publication of the annual Statement of Accounts.	
2.2.	One of its major requirements is that the Statement of Accounts be approved by a representative group of Members – either at full Council or at an appropriate Committee meeting – prior to publication. This must be carried out before 1st October in the following financial year.	
2.3	Cabinet does not have the necessary statutory authority to approve the accounts. Responsibility rests therefore with full Council. Cabinet is asked to recommend that full Council on 25 th September approves the Statement of Accounts for 2001-2002 in compliance with the statutory timetable.	
3.	<u>Statement of Accounts</u>	
3.1.	An introductory summary giving a brief explanation of the purpose of the key items in is given as Appendix 1. In the interests of economy, circulation of the Statement of Accounts - 48 pages in all - is limited to Cabinet Members and the Opposition Leader and Deputy. It will however also be available on the Intranet and from David Robinson at the Town Hall.	
3.2.	The responsible financial officer – the Director of Finance and Corporate Services – has signed the Statement of Accounts to certify that it presents fairly the financial position of the authority.	
3.3.	The External Auditor – the District Auditor – is continuing his on-site audit of the final accounts and at this stage has not raised any significant issues. However, the audit is ongoing and the separate but related audits of the Council's two major grant claims – Housing Benefits Subsidy and Housing Revenue Account Subsidy – remain to be completed.	

3.4.	This year, in agreement with District Audit, the final accounts audit began on Monday 5th August. The period of public right of inspection took place over the three weeks from Monday 5th August to Friday 23th August inclusive. The District Auditor set Friday 30th August as his appointed day to receive questions or objections on the accounts.	
3.5.	The External Auditor will not be in a position to formally conclude his audit of the Council's accounts until he has completed his work relating to the two grant claims mentioned above. He will not be able to issue his completion certificate until the accounts for 1998-99, 1999-2000 and 2000-2001 have been settled, because this relies on the external auditor dealing with the outstanding objection on the 1998-99 accounts. This is a formal and time-consuming process which is controlled by the External Auditor and which is beyond this Council's influence.	
3.6.	Clearly the ideal situation would be to bring a fully audited and agreed set of accounts to Members for approval, and indeed some authorities do already achieve this. Members may be aware that the timetable for the production of local authority accounts is set to be brought forward to 30th June in the very near future as part of Government's move to Whole of Government Accounts. As a result, one of the challenges set for the Improvement Plan of the Best Value Review of Finance is to move towards this new timetable by making successive improvements over the next few years. Progress towards this goal will be formally monitored by the Best Value Management Committee.	
3.7.	Notwithstanding that the 2001-2002 accounts still await the External Auditors' certificate, Members are required by law to approve the accounts. If any material changes have to be made to the Statement of Accounts once the Audit has been formally concluded, then these are required to be brought back to a future meeting of Council for further approval.	
4.	<u>Highlights for 2001-2002</u>	
4.1.	Consolidated Revenue Account – Deficit for the year of £77,000 - compared with an expected deficit of £90,000 - leading to a decrease in the working balance down to £1,013,000. The final deficit is £2,000 less than the figure reported to Cabinet on 1st July as part of the Financial Outturn report. As a consequence, the working balance at 31st March 2002 has increased by £2,000 compared with the figure previously reported.	

4.2.	Members will be aware from the budget monitoring report made to Cabinet on 1 ST August that some of the financial difficulties encountered during 2001-2002 have continued into 2002-2003. Although the Council's General Fund revenue budget for 2002-2003 has been set without the need for any withdrawal from the working balance, significant financial pressures now exist in the current year which Cabinet will be addressing elsewhere on today's agenda.	
4.3.	Housing Revenue Account – Overall surplus for the year of £556,000 leading to an increase in the working balance up to £1,888,000. This is £1,000 less than the figures reported to Cabinet on 1 st July. Given that this is substantially above the recommended level of £500,000, Cabinet has already endorsed how the excess might be applied to help towards meeting Government's decent homes standards through its approval of the Housing Strategy 2003/08 at its meeting on 1 st August 2002.	
4.4.	Members will notice a new layout for the Housing Revenue Account for this year. The account is now based on a form of resource accounting that shows the cost of capital employed and depreciation of those assets used in the provision of services. This is an integral part of the introduction by Government of a new financial framework for the HRA from 1 st April 2001.	
4.5.	Collection Fund – A surplus for the year of £1,000 leading to an overall balance of £477,000 comprising £472,000 Council Tax and £5,000 Community Charge. This compares with the projected balance of £462,000 which was taken into account when setting the Council Tax for 2002-2003. The additional surplus will be taken into account when setting tax levels for 2003-2004.	
4.6.	Consolidated Balance Sheet – Total Net Worth has increased by over £20 million year on year to a total of nearly £152 million. The main reason for this is a revaluation of the Council's Housing portfolio as at 1 st April 2001 which led to an increase of over £22 million. This is consistent with the significant increase in housing values experienced during the year, particularly in the South East, and which has been evidenced by an increase in Right to Buy valuations for the Council's housing stock.	
4.7.	The Council's Consolidated Balance Sheet continues to demonstrate a strong and healthy financial position for the future. It also demonstrates the scale of the Council's investment in the town – a long term investment that is actually working for the community on a day to day basis.	

5.	<u>Capital Outturn, Financing and Determinations</u>	
5.1.	<u>Appendix 3</u> summarises the Council's overall capital spending for 2001-2002. It includes figures for both the General Fund and for the Housing Investment Programme.	
5.2.	<u>Appendix 3</u> also details the financing arrangements.	
5.3.	Under Section 42(2)(g) a determination is required if expenditure for capital purposes, which is to be met by money from any other person (for example donations, grants and contributions), is to be capitalised.	
5.4.	Under section 56(1) a determination is required if a credit approval is to be used as authorisation to capitalise expenditure or enter into credit arrangements.	
5.5.	Under section 60(2) a determination is required if usable capital receipts are to be applied to meet expenditure incurred for capital purposes.	
5.6.	Adoption of the financing arrangements set out in <u>Appendix 3</u> satisfies the requirements of section 42(2)(g), 56(1) and 60(2). {Recommendation (iii)}.	
5.7.	Under Section 56(2) a determination is required if a credit approval is in whole, or part, transferred to another authority.	
5.8.	<u>Appendix 3</u> demonstrates that the full amount of credit approvals authorised to the Council have been used as part of the financing arrangements. There is, therefore, no amount available to be transferred. {Recommendation (iv)}.	
5.9.	Under section 63(1) a determination is required of an amount to be set aside from revenue account as provision for credit liabilities. This amount must be not less than the minimum revenue provision, which is calculated as a percentage of relevant credit ceilings. Current percentages are 4% for the General Fund and 2% for the Housing Revenue Account.	
5.10	<u>Appendix 4</u> shows the calculation of the minimum revenue provision and the amount included in the General Fund and in the Housing Revenue Account for 2001-2002. This demonstrates that the requirement under section 63(1) has been met. {Recommendation (v)}.	

6.	<u>Consultations</u>	
6.1.	None.	
7.	<u>Implications</u>	
7.1.	There are no other relevant implications for this report above those already outlined.	
8.	<u>Summary</u>	
8.1.	This report presents the Council's Statement of Accounts for 2001-2002 and seeks a recommendation to Council for approval as required by the Accounts and Audit Regulations 1996.	
8.2.	It also deals with determinations required to be made under the Local Government and Housing Act 1989 by 30th September following the financial year end.	
	<p>SUE MCHUGH</p> <p>DIRECTOR OF FINANCE AND CORPORATE SERVICES</p>	
	<p><u>Background Papers:</u> The background papers used in compiling this report are as follows:-</p> <p>Accounts and Audit Regulations 1996.</p> <p>Statement of Accounts for 2001-2002</p> <p>Local Government and Housing Act 1989.</p> <p>Civic Budget 2001-2002 Financial Outturn - Cabinet 1st July 2002.</p> <p>To inspect or obtain copies of background papers please refer to the contact officers listed above.</p>	
	<p>ve/openlinkCFO/reports/cabinet 02-09-05/Statement of Accounts 2001-2002</p>	