

**Report to:** Audit Committee  
**Date of meeting:** 23rd June, 2008  
**Report of:** Interim Finance Manager  
**Title:** Statement of Accounts - 2007/08

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**1.0 REASON FOR URGENCY AND SUMMARY**

**1.1 URGENCY**

This report has been submitted late due to the pressure in achieving the tight timetable for the closure of the accounts. This has not allowed the Statement of Accounts to be published in line with the Committee agenda deadlines. As the Council is required to have its draft statement agreed by the end of June 2008 this report needs to be considered by this meeting.

**1.2 SUMMARY**

To receive and approve the Council's Final Accounts for the financial year 2007/08, and the statutory Statement of Accounts.

**2.0 RECOMMENDATIONS**

It is recommended that the Committee:

- i Agrees that the provisional amount of LABGI grant for 2006/07 and 2007/08 be added to the Council's LABGI Reserve, plus any adjustment necessary once the Government has made its final determination.
- ii Agrees to the setting up of a new Economic Impact Reserve of £0.5million, a Pension Funding Reserve of £1million, the addition of £1million into the Spend to Save Reserve and the incorporation of the balance on the Disabled Access Reserve into the Special Projects Reserve.
- iii Approves the attached Statement of Accounts 2007/08 as required by the Accounts and Audit Regulations 2003.
- iv Delegates authority to the Director of Finance, in consultation with the Chair of the Audit Committee, to make any necessary changes to the Statement of Accounts, prior to submitting it to the external auditors for auditing.
- v Notes the Council's Treasury Management performance in 2007/08 and approves the temporary departure from policy explained in paragraph 8.2..
- vi Approves the policy for making no minimum revenue provision in 2007/08 and 2008/09 set out in paragraph 9.5.

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**Report approved by:** Janice Maule, Director of Finance

### 3.0 **CLOSURE OF ACCOUNTS PROCESS**

3.1 The closure process for 2007/08 has been conducted using a detailed timetable drawn up and agreed with our external auditors. Recommendations from the Audit Commission's report on the 2006/07 accounts have been incorporated. Officers are in the process of preparing a full set of working papers to allow the external audit team (this will be Grant Thornton this year following the change in the Council's Appointed Auditor) to review the Council's spending in 2007/08 and its financial position as at 31st March 2008.

### 4.0 **Statement of Accounts**

4.1 The Statement of Accounts has been prepared in accordance with the Statement of Recommended Practice (SORP) and the Best Value Accounting Code of Practice (BVACOP), which are regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA).

4.2 Following the significant changes last year in both the content and presentation of the Accounts due to revisions in the Statement of Recommended Practice (SORP), this year's changes have a lesser impact on the face of the Accounts and include the following:

- i The deletion of the Fixed Asset Restatement Account and the Capital Financing Account, which have been replaced by the Capital Adjustment Account and Revaluation Reserve.
- ii The method of accounting for various financial instruments, the majority of which do not affect the Council. There is one area of change that has affected the Council's statements, the way that soft loans (those granted at terms below market interest rates) are accounted for, that results in a lower value being carried on the Balance Sheet, due to the effect of granting of the loan below market value.

In addition, the opportunity has been taken to amend some elements of the Accounts to better reflect SORP requirements, mainly within the notes to the Accounts, and to make the Accounts as understandable as possible, by adding supporting information to assist the reader wherever practicable.

4.3 Some interim audit work has already been undertaken. The final audit is due to start in the first week of August 2008. The auditors expect to issue their audit opinion by the end of September 2008. Any significant audit adjustments will be communicated to the Audit Committee at its meeting on 17th September, 2008.

### 4.4 **Statement of Total Recognised Gains and Losses**

The Statement of Total Recognised Gains and Losses identifies the accounting entries that have no impact on the level of Council Tax, but are necessary under SORP requirements. It was introduced in 2006/07 and shows the major items that affect the net worth of the Council, these being :-

- i Surplus or deficit on the Income and Expenditure Account.
- ii Surplus or deficit on revaluation of fixed assets.

iii Actuarial Gains or Losses on Pension Fund Assets and Liabilities.

iv Other Gains or Losses.

Table 1 shows the full statement as reported in the Final Accounting Statements

**Table 1 Statement of Total Recognised Gains and Losses**

<u>2006/07</u> <u>£000</u>		<u>2007/08</u> <u>£000</u>
1,109	Deficit for the year on the Income and Expenditure Account	370,758
(39,905)	(Surplus)/Deficit arising on revaluation of fixed assets	(7,611)
(7,804)	Actuarial (Gains)/Losses on pension fund assets and liabilities	
	- Watford Borough Council	(4,091)
	- Pension Fund adjustment as a result of stock transfer	(1,282)
2,200	Other (Gains)/Losses (Collection Fund movement on balance in 2007/08)	8
<u>(44,400)</u>	<u>Total recognised (Gains)/Losses for the year</u>	<u>357,782</u>

#### 4.5 **Housing Stock Transfer**

The transfer of the Council's Housing stock in September 2007 to Watford Community Housing Trust (WCHT) has meant that there are significant changes in some figures within the Accounts between 2006/07 and 2007/08, and that direct comparison is not appropriate for these items. The Council received a net capital receipt from the transfer of the stock of £25.9million, which, after payment of the Government levy of £3.064million, is currently being invested to provide revenue support by way of interest to offset the costs, previously borne by the Housing Revenue Account, that continue to fall on the Council in the short term. Also, a number of agreements have been put in place between the Council and the Trust to maintain certain services, although the majority of these are for limited periods.

#### 4.6 **Budget**

The Council's 2007/08 approved budget included a small withdrawal of £53,000 from the Provision in respect of Housing Benefit Subsidy, and a reduction in the General Fund balance of £440,000 to offset the estimated net impact of housing transfer in the year. In light of the outcome of the housing transfer and the net receipt being significantly above earlier projections, along with some ongoing income from services that Watford Community Housing Trust (WCHT) are buying from the Council until it is able to operate independently, the budgeted withdrawals have not been made and the balance on the Provision at the year end remained at £500,000, to provide cover should the audit of future subsidy returns require a reduction in the amount claimed from the Government. Although performance in recent years has led to only modest adjustments, the complexity

of housing benefit rules means that this continues to be a risk area. The General Fund balance, after taking account of transfers to Reserves as set out in this report, was £1.337million at the year end, an increase of £83,000 in the year. Further details on the actual spending against the budget are shown in paragraphs 5.2 and 5.3.

#### 4.7 **Reserves**

4.7.1 The Balance Sheet shows that the Council had a General Fund balance as at 31st March 2008 of £1.337million after the balances have been adjusted for the following contributions proposed by the Director of Finance:

- i The setting up of a new Economic Impact Reserve to provide resource cover over the coming years to mitigate the potential adverse impacts of changes in performance across the wider economy.
- ii The setting up of a new Pension Funding Reserve to provide funding to reduce the future ongoing revenue liability in respect of pension payments
- iii The transfer of the sum of £1million into the Spend to Save reserve, in line with the need to provide resources to implement future initiatives on the Value for Money Strategy as reported to the Cabinet earlier this month

The opportunity has also been taken to incorporate the Disabled Access Reserve into the Special Projects Reserve, as the timescale for complying with the Disabled Discrimination Act has passed and the Council's Asset Management Plan now includes sums in respect of such works.

4.7.2 Included in the Accounts is the sum of £267,155 which is provisional Local Authority Business Growth Incentive (LAGBI) Grant that the Council has been notified by the Department for Communities and Local Government has been awarded for the years 2006/07 and 2007/08, and is due to be paid to the Council in the summer of 2008. This was announced in April 2008 and was unexpected for Watford. The provisional award does not allocate the full amount of grant announced by the Government, and a contingent asset is included in the notes to the Accounts for the potential award of additional grant when the Government finalises its decision. As the final determination of the sum is still to be confirmed and the Council has not yet taken a decision on how this one-off funding will be used, it is recommended it be added to the Council's LAGBI Reserve, with any necessary adjustment to the amount made as appropriate when the final sum receivable is notified. Proposals on the use of this reserve will be considered by the Cabinet in the review of the Medium Term Financial Plan in July.

4.7.3 The General Fund balance amounts to the source of funding for all risks other than those covered by earmarked reserves, and the sum held is consistent with the assessment made by the Director of Finance in the 2008/09 Budget Report.

#### 5.0 **GENERAL FUND**

5.1 Net General Fund revenue spending in 2007/08 was £15.524million, against a budgeted figure of £16.100million, an underspend of £0.576million, after making the transfers to reserves set out in paragraph 4.7.1. The original budget included funding from the General Fund balance, to fund the projected short term costs falling to the General Fund as a result of stock transfer, and provisions of £0.493million for the

year. The net £0.576million underspend has meant that the General Fund balance increased by £83,000 in the year.

- 5.2 An analysis of the variances (summarised by service) is outlined in Table 3. This includes recharges, and the variance commentary in paragraph 5.3 indicates such changes where appropriate.

<b>Table 3</b>	<b>Latest Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
<b>Service</b>			
Leisure & Community Services	6,007	5,901	(106)
Environmental Services	6,695	6,692	(3)
Planning and Development	(1,693)	(2,543)	(850)
Housing	697	555	(142)
Managing Director	1,457	1,435	(22)
Strategic Services	447	480	33
Legal and Democratic Services	1,326	1,371	45
Human Resources	(13)	0	13
Revenues and Benefits	1,324	1,085	(239)
Business Information Systems	(17)	0	17
Finance	436	364	(72)
Corporate Financing	(566)	184	750
	<b>16,100</b>	<b>15,524</b>	<b>(576)</b>

The reasons for the main outturn variances are explained in Table 4 below.

5.3

**Table 4 - 2007/08 Reasons for Variations**

<b>Leisure and Community Services</b>	<b>Variance to Budget £000</b>	<b>Comments</b>
Grants	31	Accommodation recharge above budget, plus minor variations
Leisure Operations	60	Changes in leisure centre spend as a result of redevelopment programme and recharges from other areas
Leisure	(286)	Minor net variations in running costs, and capital accounting credit adjustment (£290,000), writing out capital spend in the year
Parks & Open Spaces	89	Higher staff costs (£35,000), lower than budgeted income from sponsorship (£19,000), plus minor variations (£35,000)
<b>Total Leisure and Community Services Variation</b>	<b>(106)</b>	

<b>Environmental Services</b>	<b>Variance to Budget £000</b>	<b>Comments</b>
Net variations across service	(3)	Lower than budgeted salary costs in a number of areas (£169,000) offset by higher than budgeted net trade refuse cost (£166,000)
<b>Total Environmental Services Variation</b>	<b>(3)</b>	

<b>Planning and Development</b>	<b>Variance to Budget £000</b>	<b>Comments</b>
Development / Building Control	(71)	Increase in Planning Fees (£207,000) and reduced salary costs (£34,000), reduced by higher running costs (£61,000) and recharges from other areas (£109,000)
Planning & Transportation	(212)	Award of Planning Delivery Grant above budget (£120,000), lower than forecast payments to bus operators (£35,000), and street furniture spend (£16,000) and recharges below budget (£41,000)
Property Services	(259)	Higher than forecast income (£140,000), lower than budgeted capital accounting costs (£107,000) and small reduction in recharges (£12,000)
Car Parks	(22)	Income received higher than budget
Harlequin Shopping Centre	(89)	Income received higher than budget

Charter Place, including Market	141	Lower than budgeted income from traders (£208,000), offset by lower than projected repairs spend and other items (£67,000)
Construction and Property Services	(338)	Lower than budgeted spend on repairs and maintenance (£452,000), reduced by transfer to Reserve (£114,000)
<b>Total P &amp; D Variation</b>	<b>(850)</b>	

<b>Housing - General Fund</b>	<b>Variance to Budget £000</b>	<b>Comments</b>
Housing – General Fund	(142)	Amendment to Housing Needs budget following stock transfer (£284,000), partly offset by accompanying reductions in budgets (£166,000), and a decrease in capital accounting charges (£260,000)
<b>Total – Housing GF - Variation</b>	<b>(142)</b>	

<b>Managing Director</b>	<b>Variance to Budget £000</b>	<b>Comments</b>
Corporate Management	(22)	Slightly lower than budgeted recharges from other areas
<b>Total MD Variation</b>	<b>(22)</b>	

<b>Strategic Services</b>	<b>Variance to Budget £000</b>	<b>Comments</b>
Communications	6	Staffing costs below budget
Customer Service Centre	13	Costs and recharges both slightly lower than budget
Facilities Management	16	Higher than budgeted costs in relation to the Civil Contingencies Act (£16,000). Procurement savings on electricity (£14,000) and gas (£29,000), and income from WCHT (£125,000), offset by reduced recharges and higher than forecast depreciation costs.
Other areas	(2)	Minor variations
<b>Total Strategic Services Variation</b>	<b>33</b>	



<b>Legal &amp; Democratic Services</b>	<b>Variance to Budget £000</b>	<b>Comments</b>
Legal Services	100	Land charges income below budget (£73,000), net costs awarded (£17,000) and recharges above budget (£24,000), partly offset by lower than budgeted staffing costs (£19,000)
Democratic Representation	(15)	Slightly lower than budgeted costs
Electoral Services	(40)	Net costs lower than forecast
<b>Total Legal &amp; Democratic Variation</b>	<b>45</b>	

<b>Revenues and Benefits</b>	<b>Variance to Budget £000</b>	<b>Comments</b>
Income Administration	16	Increase in staff costs as a result of Benefit fraud Team moved to this area, partly offset by income from SLA with WCHT
Taxation	178	Higher than budgeted legal costs and Agency staff costs and reduced income from summonses
Housing Benefits Administration	106	Higher than budgeted Agency staff costs to cover vacant posts
Housing Benefits Transfer Payments	516	Higher than budgeted payments
Housing Benefits Income	(1,055)	Higher than budgeted income from DWP
<b>Total</b>	<b>(239)</b>	

<b>Human Resources</b>	<b>Variance to Budget £000</b>	<b>Comments</b>
Human Resource Team	11	Net recharges slightly higher than forecast
Training	2	Training costs lower than budget (£90,000) offset by reduced recharges
<b>Total</b>	<b>13</b>	

<b>Business Information Systems</b>	<b>Variance to Budget £000</b>	<b>Comments</b>
B.I.S. Services	13	Underspend on salary costs and lower than budgeted spend on software licence costs, due partly to slippage on implementation, offset by reduced recharges to services
B.I.S. Corporate Systems	14	Slight net overspend made up of a number of small variations within this area
Telephones	(10)	Slightly lower than budgeted call costs

<b>Total BIS Variation</b>	<b>17</b>	
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<b>Finance</b>	<b>Variance to Budget £000</b>	<b>Comments</b>
Group Management Team	1	Salary costs slightly over budget, offset by higher recharges
Finance	5	Use of Agency staff to cover vacant posts and sickness, offset by higher recharges
Miscellaneous	107	External audit fee higher than budgeted, and cost of consultants above budget, offset by higher recharges
Internal Audit	9	Salary costs slightly above budget
Insurance Services	(200)	Net insurance premium recharges higher than budget, and lower than expected staff costs
Procurement	1	Minor variations
Fraud	5	Salary and associated running costs
<b>Total Finance Variation</b>	<b>(72)</b>	

<b>Corporate Financing</b>	<b>Variance to Budget £000</b>	<b>Comments</b>
Investment interest	(1,667)	Higher than forecast return due to higher sum invested and higher interest rates. Partly offsets increases in costs associated with stock transfer
Capital accounting adjustments	(83)	Net outturn figures for pensions, capital and accounting adjustments below the sum originally budgeted
Transfer to Reserves	2,500	As set out in the narrative of this report.
<b>Total Corporate Financing Variation</b>	<b>750</b>	

## 6.0 Capital Expenditure

### 6.1 General Fund Capital

General Fund capital expenditure in 2007/08 was £20.455million, against a budgeted figure of £22.956million, a variance of £2.501million. An analysis of the variances is outlined in Table 5. The main reasons for the differences relate to the accounting treatment of the costs arising from the sale of the housing stock, earlier than expected spend on the leisure facilities redevelopment programme, mainly minor slippage on spend across other parts of the programme, and the inclusion of capital elements of spending from Section 106 receipts.

<b>Table 5</b>	<b>Latest Estimate</b>	<b>Actual</b>	<b>Variance</b>
<b>SERVICE</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
PC and printer replacement	144	163	19
Customer Relationship Management	254	70	(184)
IT System	12	2	(10)
Document Management Processing	160	196	36
Electoral Services	12	11	(1)
Environmental Health IT System	25	2	(23)
Cardiff Road Health Campus	508	303	(205)
Redevelopment of Leisure Facilities	15,352	16,170	938
Charter Place redevelopment	110	22	(88)
Bushey Arches Improvements	76	25	(51)
Service Transformation GIS	-	13	13
Recycling Kerbside vehicles (x2)	207	207	-
Office (Civic Quarter) Moves	170	151	(19)
Surface Car Parks	270	83	(187)
Town Centre CCTV System Upgrade	35	36	1
Museum Galleries Refurbishment	10	-	(10)
Green Spaces Strategy	215	163	(52)
Public Toilet Refurbishment	161	46	(115)
Pop-up Toilets	163	145	(18)
Staff Amenity Area	45	-	(45)
Automatic Number Plate Recognition/CCTV	-	54	54
Grants to Housing Associations	-	65	65
Community Centre Refurbishment	-	11	11
Recycling Containers	-	10	10
Lockable frames sets for flats recycling	10	-	(10)
Street care Depot Improvements	151	44	(107)
Private Sector Housing Grants	350	481	131
Disabled Facilities Grants	277	131	(146)
CPO of Private sector Dwellings	240	3	(237)
Woodside All Weather track	180	-	(180)
Choice Based Lettings	22	-	(22)
64 Rickmansworth Road	21	30	9
Housing Transfer Costs	3,000	1,390	(1,610)
Tibbles Road Hostel	102	81	(21)
Town scheme enhancements	140	69	(71)
Allotment Green Toilets	20	-	(20)
King George V Playing Fields	35	-	(35)
Colne Valley Improvements	100	-	(100)
Cassiobury Park Green Flag Status	120	113	(7)
Watford Fields Upgrade	130	105	(25)
King George V Playground refurbishment	55	-	(55)
Whippendale Woods Cycle path	37	-	(37)
Attenborough Fields Cycle Route	15	-	(15)
Rickmansworth Road Toucan Crossing	16	-	(16)
CCTV Upgrade High Street	6	-	(6)
Commutation Charge	-	60	60
<b>Total General Fund Capital Expenditure</b>	<b>22,956</b>	<b>20,455</b>	<b>(2,501)</b>

## 6.2 Housing Capital

Housing capital expenditure in 2007/08 was £3.657million, against a budgeted figure of £6.085million, a variance of £2.428million. This includes expenditure on the schemes funded from the Major Repairs Reserve (MRR). The variance was substantially due to the transfer of the housing stock. Details are set out in Table 6 below.

<b>Table 6</b>	<b>Latest Estimate £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
<b>SERVICE</b>			
Private purchase Grants	50	12	(38)
Repairs Admin	790	194	(596)
CCTV upgrades	10	5	(5)
Entry Phones	50	165	115
Miscellaneous Adaptations	350	241	(109)
Central Heating	250	-	(250)
Play Area refurbishment	20	-	(20)
Estate improvements	-	30	30
Roofing	200	795	595
IT Development	95	36	(59)
Windows	150	10	(140)
High level work (roofing/chimneys)	250	1	(249)
Sherwoods external cladding	50	8	(42)
Brickwork repairs	-	19	19
Stock condition survey	50	41	(9)
Garage roofs renewal	20	28	8
Heating System Overhaul	128	-	(128)
E & M improvements Meriden H/R	50	6	(44)
Cavity insulation – Abbots Garden	200	35	(165)
Rewiring General-Capital Schemes	-	3	3
Rewiring	600	657	57
E.P minor schemes	20	44	24
E & M schemes E.P blocks	50	-	(50)
Lighting protection E.P blocks	3	-	(3)
Hostel Repairs	50	115	65
Asbestos control measures	50	10	(40)
Estate improvements	30	-	(30)
Estate initiatives	500	-	(500)
Rainwater goods fascias and soffits PPM	0	18	18
Water tank renewal	50	59	9
Bathrooms (Plumbing planned maint)	350	11	(339)
Anti-condensation measures	75	28	(47)
Front and back door renewal	500	647	147
Flat Entrance Doors	-	20	20
Fencing / gates	20	49	29
Boiler Replacement	600	242	(358)
Staffing cost to Major repairs Reserve	272	17	(255)
Watford & Three Rivers Against Crime	10	7	(3)
Miscellaneous works-Meriden High Rise	40	95	55
Kitchen replanning & replacement	152	9	(143)
<b>Total HRA Capital Expenditure</b>	<b>6,085</b>	<b>3,657</b>	<b>(2,428)</b>
<b>Total Capital Expenditure</b>	<b>29,041</b>	<b>24,112</b>	<b>(4,929)</b>

## 7.0 Housing Revenue Account (HRA)

- 7.1 The HRA is the ring-fenced account which is required to account for the Council's functions as a Landlord. In September 2007 the Council's housing stock was transferred to WCHT. The entries in the HRA for 2007/08 show the transactions up to the date of transfer. The Council is required to maintain an HRA past the date of transfer to deal with any residual payments and receipts, and it is intended that any balance left on the HRA towards the end of 2008/09 will be transferred to the General Fund once the necessary approval has been granted by the Secretary of State to enable the HRA to be formally closed. Approval was given to transfer the residual properties not included in the transfer to the General Fund and this has been reflected in the Accounts.
- 7.2 The HRA position for 2007/08 is that there was a deficit of £476,000 as outlined in Table 7.

	<b>Budget</b> £000	<b>Actual</b> £000	<b>Variance</b> £000
<b>Income</b>	(18,170)	(8,853)	(9,317)
<b>Expenditure</b>	19,567	9,329	10,238
<b>Net Housing Revenue Account</b>	(1,397)	(476)	(921)

- 7.3 The transfer of the Council's housing stock in September 2007 means that direct comparisons between the budget and outturn figures are inappropriate, as the budget was prepared on a full-year basis. Subject to the necessary approval from the Secretary of State to formally close the HRA, the remaining balance, once any further adjustments required in the current year have been made, will be transferred to the General Fund at the end of 2008/09.

## 8.0 TREASURY MANAGEMENT PERFORMANCE

- 8.1 The Council's Treasury Management Practices require that the performance of the Council's investment portfolio is reported to Members. In the 2007/08 year the Council held an average of £45.4 million, and the average interest rate achieved was 5.59%. The performance target for the Council's investments in 2007/08 was to achieve a return of 0.1% above the average base rate figure, and the actual achievement in 2007/08 was 5.59%, with the average base rate figure being 5.55% , i.e. 0.72% above, helped by the wider economic situation in the second half of the year. This helped contribute to the investment income for the year being in excess of the budgeted figure.
- 8.2 There is one item of note that needs to be brought to the Committee's attention, relating to the proportion of funds invested in particular areas. The Annual Investment Strategy (AIS) sets limits for the amount to be invested with other parties and the relative amounts to be placed in specific areas (paragraph 5.5 of the AIS). The receipt of the Housing Stock transfer sum, combined with the turmoil in the banking sector in the

second half of the 2007/08 year, meant that the percentage of investments held in non-specified investments (mainly building societies) exceeded the target limit of 70%, and was 76.6% at the year end. Whilst this had no impact on the Council's Accounts for the year, the Director of Finance (supported by the view of the Council's Treasury advisors, Sterling) believes that there was no material risk to the prime objective of securing the principal sum posed by the breach. Procedures have been put in place to regularly monitor performance against this target. The position is being managed over the early months of the current year as investments mature to bring the percentage in line with the AIS, and it is anticipated that this percentage split will be brought down to the target level by the end of August.

## **9.0 MINIMUM REVENUE PROVISION (MRP) POLICY**

- 9.1 There has been a recent change in the legislation relating to the requirement for Councils to charge the costs of long-term borrowing to Council Tax payers over a number of years. There are two elements to this cost – the interest on borrowing is charged in the year it is payable, and the principal (or capital) element is charged as a “minimum revenue provision” (MRP). Until recently, the amount of MRP to be charged was determined by regulation, although the Council was allowed to make an additional “voluntary” charge to the revenue account.
- 9.2 The *Local Authorities (Capital Finance and Accounting) (England) Regulations 2008*, which came into force on 31<sup>st</sup> March 2008, replaced the detailed statutory rules for calculating MRP with:
- 28.** A local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent.
- 9.3 The Department for Communities and Local Government (DCLG) has issued guidance on what constitutes prudent provision that requires Councils to approve a statement each year on the policy on making MRP.
- 9.4 The statement at paragraph 9.5 covers the 2007/08 and 2008/09 financial years, in line with the timetable in the DCLG Guidance. The Council currently has no long term borrowing, and it is considered prudent that no MRP is necessary at present. For future years, the policy will be agreed as part of the annual budget-setting process.

### **9.5 Annual Minimum Revenue Provision (MRP) Statement 2007/08 and 2008/09**

#### **9.5.1 2007/08 financial year**

As the Council was debt-free on 31<sup>st</sup> March 2007, there was no requirement to make any MRP during the 2007/08 financial year, and none was made.

#### **9.5.2 2008/09 financial year**

As the Council was debt-free on 31<sup>st</sup> March 2008, there is no requirement to make any MRP during the 2008/09 financial year, and it is proposed that none shall be made.

#### **9.5.3 2009/10 and future years**

The Council intends to remain debt-free at the end of this financial year. As there is a requirement to determine the MRP policy annually, the Council will be asked to approve

the policy for calculating a prudent MRP for 2009/10 when the 2009/10 budget is being considered towards the end of the current financial year.

## 10.0 **IMPLICATIONS**

10.1 Financial - There are no direct financial implications arising from this report.

10.2 Legal Issues

10.2.1 The Council is obliged under the Accounts and Audit Regulations 2003 (as amended in 2006) to have its 2007/08 Statement of Accounts approved within 3 months of the end of the accounting period (30<sup>th</sup> June 2008 for the period ending 31<sup>st</sup> March 2008).

10.2.2 The Accounts and Audit Regulations 2003 statutory instrument 533 requires that the Statement of Accounts is prepared in accordance with these regulations and "Before the approval referred to in paragraphs (3 ) and (4) is given, the responsible financial officer of a relevant body shall sign and date the Statement of Accounts, Income and Expenditure Account and Statement of Balances, or record of Receipts and Payments, as the case may be, and shall certify that it presents fairly the financial position of the body at the end of the year to which it relates and its Income and Expenditure or that it properly presents Receipts and Payments, as the case may be for that year.

(a) The Statement of Accounts as required by Regulation 7 (1) or Regulation 7 (6), as the case may be, shall be approved by a resolution of a committee of the relevant body or otherwise by a resolution of the members of the body meeting as a whole, such approval to take place as soon as reasonably practicable and in any event before 30<sup>th</sup> June immediately following the end of a year, and

(b) Following approval in accordance with sub-paragraph (a), the Statement of Accounts shall be signed by the person presiding at the committee or meeting at which that approval was given".

## 10 **POTENTIAL RISKS**

Likelihood 1=unlikely 2=possible 3= highly likely 4= virtually certain

Impact 1= very little 2=not very serious 3= serious 4= catastrophic

Risks scoring 9 or above are considered significant.

Potential Risk	Likelihood	Impact	Overall score
Non-trivial errors contained within the Statement of Accounts, as a result of the changes to the SORP for 2007/08 and the transactions associated with the housing stock transfer, which could impact on the level of balances available for future consideration and the assessment of the Council's Use of Resources as part of CPA	2	2/3	4/6
The change in the external auditor	4	2	8
A number of staffing changes within Finance	4	2	8

## Background Papers

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

Working Papers for 2007/08

Accounts and Audit Regulations 2003 (as amended in 2006)

Statement of Recommended Practice (SORP)

Local Authorities (Capital Finance and Accounting) (England) Regulations 2008

## File Reference

None