

**CANNOCK CHASE COUNCIL**

**AUDIT & GOVERNANCE COMMITTEE**

**19 JUNE 2007**

**REPORT OF HEAD OF FINANCIAL MANAGEMENT**

**APPROVAL OF STATEMENT OF ACCOUNTS**

1. **Purpose of Report**

- 1.1 To present the statement of accounts for the financial year 2006-07 for consideration and approval

2. **Recommendations**

- 2.1 That the Committee recommends that Council at its meeting on the 27 June 2007 approve the Statement of Accounts for the financial year 2006-07.

3. **Key Issues**

- 3.1 The Regulations relating to the approval of the Statement of Accounts were amended in 2002-03 with the Accounts and Audit Regulations 2003 (the Regulations) replacing the 1996 Regulations
- 3.2 The accounts are now required to be approved by 30 June and published by 30 September. The accounts are also required to be approved by the Council with the person presiding (Chairman) at the Committee (Council) responsible for approving the accounts being required to sign and date the accounts. The accounts to be signed immediately following the resolution of the Council that approves the accounts.
- 3.3 In addition the Council are required to publish a Statement of Internal Control with their financial statements. The Statement is required to be signed by the Leader and the Chief Executive.
- 3.4 In the approval of accounts process it is a fundamental requirement of accountability that the accounts are subject to robust member scrutiny prior to approval.
- 3.5 Responsibility for considering the Statement of Accounts for approval forms part of the remit of the Audit & Governance Committee.
- 3.6 Committee at its meeting of the 11 June 2007 considered the Statement of Internal Control whereas the Statement of Accounts is submitted today for consideration.
- 3.7 The Statement of Accounts consists of the following key areas: -

- Explanatory foreword.
  - Summary statement of income and expenditure for each fund for which the Council is required to keep a separate account.
  - Summary statement of capital expenditure.
  - Statement of accounting policies.
  - Statement of Responsibilities
  - Core Financial Statements
    - Income and Expenditure Account
    - Statement of Movement on the General Fund Balance
    - Statement of Total Recognised Gains and Loss
    - Balance Sheet.
    - Cash Flow statement.
  - Notes to the Core Financial Statements
  - Housing Revenue Account
  - Collection Fund
  - Statement on the system of Internal Financial Control
- 3.8 Members should note that in accordance with the Statement of Recommended Practice for 2006-07 there are major changes to the Statement of Accounts.
- 3.9 The key accounting changes relate to the deletion of notional interest charges for capital financing charges with the remainder of changes primarily relating to the presentation of the accounts. Details of the changes will be the subject of training at the working group prior to the meeting
- 3.10 A copy of the pre-audit statement of accounts will be made available in advance of the meeting.
- 3.11 Key areas of interest to Members from the statements are included in the main body of the report with more detailed analysis being provided in the various outturn reports to Council and various Committees but can be summarised as follows.
- 3.12 General Fund revenue balances at 31 March 2007 (after rollovers) amounted to £1.064 million and is in line with the Medium Term Budget Forecast
- 3.13 The balance of HRA revenue reserves at 31 March 2007 amounted to £0.944 million and is £0.049million lower than anticipated in the Medium Term Budget Forecast
- 3.14 The deficit on the Collection Fund for this Council will require an adjustment to the 2008-09 budget resources of approximately £0.018 million.
- 3.15 Capital expenditure in the year was some £0.064 million in excess of the approved programme. Available resources as at 31 March 2007 for the HRA are lower than anticipated by the Medium Term Budget Forecast by £0.238 million reflecting additional scheme costs. Details for the General fund will be provided at the meeting.

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**Section 1**

**1. Background**

- 1.1 The Regulations relating to the approval of the Statement of Accounts were amended in 2002-03 with the Accounts and Audit Regulations 2003 (the Regulations) replacing the 1996 Regulations. The main changes arising from the revision relate to the dates of approval and publication for the Statement of Accounts and the process for approving the accounts.
- 1.2 The accounts are now required to be approved by 30 June and published by 30 September. The accounts are also required to be approved by the Council with the person presiding (Chairman) at the Committee (Council) responsible for approving the accounts being required to sign and date the accounts. The accounts to be signed immediately following the resolution of the Council that approves the accounts.
- 1.3 A copy of the Statement on Internal Control is attached. The statement is required to be signed by the Leader and the Chief Executive.
- 1.4 A copy of the pre-audit statement of accounts is attached and additional copies are available in each of the group rooms.

**Section 2**

**2. Summary of the Financial Statement 2006 -07**

- 2.1 The Statement of accounts consists of the following key areas: -
  - Explanatory foreword.
  - Summary statement of income and expenditure for each fund for which the Council is required to keep a separate account.
  - Summary statement of capital expenditure.
  - Statement of accounting policies.
  - Statement of Responsibilities
  - Core Financial Statements
    - Income and Expenditure Account
    - Statement of Movement on the General Fund Balance
    - Statement of Total Recognised Gains and Loss
    - Balance sheet.
    - Cash flow statement.
  - Notes to the Core Financial Statements
  - Housing Revenue Account
  - Collection Fund
  - Statement on the system of Internal Financial Control

2.2 Key areas of interest to Members from the statements are summarised in the following paragraphs.

**2.3 Income and Expenditure Account, Statement of Movement on the General Fund Balance and Statement of Total Recognised Gains and Loss**

2.3.1 The above three accounts replace the traditional Consolidated Revenue Account.

2.3.2 The Income and Expenditure Account is as the name suggests a summary of revenue income and expenditure consumed in the year for General fund and HRA services. The account shows the Councils actual financial performance for the year.

2.3.3 The Statement of Movement on the General Fund Balance converts the Income and Expenditure Account into the Council Tax outturn report. Council Tax is set based upon statutory requirements and hence this account includes such statutory requirements and excludes from the Income and Expenditure Account non-statutory requirements. The account compares the Councils spending against the Council tax it raised in the year, after taking into account the utilisation or allocation to/from reserves.

2.3.4 The Statement of Total Recognised Gains and Losses is a direct link between the Income and Expenditure Account and Balance Sheet and provides an analysis of the movement on the Balance Sheet as represented by Net Worth or Assets less Liabilities and the Surplus or Deficit on the Income and Expenditure Account.

2.3.5 The combined revenue accounts show total expenditure on services of £58.057 million and total income of £45.756 million. After taking account of contributions to and from specific reserves and provisions, the total expenditure to be met from grants, local taxation, business rates and general fund balances is £14.235 million. This amount has been financed as follows: -

<b>Sources of Finance</b>	<b>£ million</b>
Revenue Support Grant	1.280
Council's share of NNDR Pool	6.630
Collection Fund	5.515
General Fund Revenue Balances	0.810
<b>Total</b>	<b>14.235</b>

2.3.6 The Projected Outturn as approved by Council in February 2007 forecast the utilisation of £1.367 million of Revenue Balances to support the budget. The actual outturn shows a transfer of £0.810 million with a resultant under spend of £0.557 million. The under spend primarily relates to the planned rollover of budgets to the 2006-07 financial year of £0.557 million with a net balanced budget resulting.

2.3.7 A detailed analysis of the outturn will be reported to Scrutiny Committee as part of the formal accounts process with its implications forming part of the Medium Term Financial Projection position statement to Cabinet.

- 2.3.8 Use of Section 106 funds for Economic Development amounted to £0.090 million as compared to a budget forecast of £0.143 million. The under spend on expenditure will be subject to rollover to 2006-07.
- 2.3.9 General Fund balances at 31 March 2007 (after rollovers) amounted to £1.064 million and is in line with the Medium Term Budget Forecast

## 2.4 **Balance Sheet**

- 2.4.1 The Balance Sheet summarises the Council's assets and liabilities at 31 March 2007, and shows how these are financed. An analysis of these balances is provided in notes to the accounts, which form an integral part of the financial statement. Key details are as follows:
- 2.4.2 Capital expenditure in 2006-07 amounted to £9.626 million compared with an approved budget of £9.562 million, representing an over spend of £0.064 million (The Original budget Approved by Council in February 2006 amounted to £10.89m). The over spend primarily related to an over achievement on the Housing capital programme. A detailed analysis of the outturn for the General Fund and Housing programmes are subject to separate reports to full Council.
- 2.4.3 The available Capital resources at the 31 March 2007, after taking into account slippage, amount to £5.832 million for the Housing Programme. The provisional outturn indicates a reduction in capital resources for the Housing programme of £0.238 million. The latter primarily relates to additional scheme costs with a fall in the number of capital receipts from Council House sales in 2006-07 being offset by additional energy efficiency monies. Further details for the General Fund will be provided at the meeting with a more comprehensive analysis being contained in the respective outturn reports to Council on the 27 June 2007.
- 2.4.4 The capital expenditure in 2006-07, and the methods of financing are detailed below:

Expenditure	£000	Financing	£000
Culture and Sport	628	Capital Receipts	4,617
Housing	8,243	Section 106	219
Social Inclusion	617	Borrowing	744
Environment	64	Specified Capital Grant	254
Access to Skills & Econ.Dev.	74	MRA	3,083
		Revenue Contribution to Capital	440
		Other Grants	269
	<u>9,626</u>		<u>9,626</u>

- 2.4.5 Earmarked General Fund revenue reserves as at 31 March 2007 amount to £2.733 million and exceed the estimated balance as included in the approved Medium Term Plan by £0.740 million. The difference primarily relates to the rollover of expenditure into 2006-07 however a new reserve was created in relation to NNDR credits in 2006-07. The reserve amounted to £279,000 and was partly utilised in 2006-07 to offset the loss of anticipated LABGI monies. Earmarked HRA revenue reserves as at 31 March 2007 amount to £0.444 million.
- 2.4.6 Trading balances available to support the General Fund as at 31 March 2007 amount to £0.082 million and exceed the 2006-07 budget provision by £0.006 million
- 2.4.7 The net current liability of the Council (excluding Investments) amounts to £4.365m and shows a reduction in the year of £1.955 million. The movement includes a reduction in the amount due to the DCLG for Capital Receipts pooling of £0.495million and National Non Domestic Rates of £2.005 million with normal creditors increasing by £0.636 million.
- 2.4.8 The Capital Financing Requirement as at 31 March 2007 amounted to £24.041 million compared to a Prudential Indicator forecast of £23.973 million. Prudential borrowing of £0.324 million was undertaken during the year with External Debt as at 31 March amounting to £14.289 million, in line with the year end forecast, and is within both the Operational and Authorised limits set for the year

## **2.5 Housing Revenue Accounts**

- 2.5.1 The Housing Revenue Account (HRA) shows total expenditure of £16.884 million and income of £16.108 million. The deficit on the account is reflected in a reduction in reserves of £0.776 million over the year.
- 2.5.2 The projected outturn as approved by Council in February 2007 forecast a transfer from reserves of £0.727 million with a resultant over spend of £0.049 million.
- 2.5.3 The balance of HRA revenue reserves at 31 March 2007 was £0.944 million.

## **2.6 Collection Fund.**

- 2.6.1 The Collection Fund shows Gross Council Tax income of £38.317 million and total expenditure in the form of precepts of £38.506 million, resulting in a deficit for the year of £0.189 million.
- 2.6.2 The balance on the Collection Fund at 31 March 2007 was a deficit of £0.524 million. This differed from the deficit anticipated in January 2006 by £0.123 million. This amount will be adjusted in the 2008-09 Council Tax calculation with this Councils adjustment amounting to approximately £0.018 million.

## **2.7 Summary Trading**

- 2.7.1 The summary Trading Accounts shows a surplus of £0.098 million. General Fund activities for the year showed a surplus of £0.009 million, with the HRA surplus £0.089 million being transferred to the respective revenue account in the year. A

contribution of £0.031 million was made from the General Fund Trading Reserves in the year. The Trading reserves stood at £0.082 million at 31 March 2007.

**Section 3**

**3. Contribution to CHASE**

- 3.1 The Statement of Accounts represent the agreed financial reporting of the outturn for revenue budgets and capital programmes for 2006-07. These approved budgets represent the agreed priorities of the council as determined by the Delivering Change process and hence have directly contributed to CHASE as part of a medium term financial strategy. The financial outturn report reflects the financial performance for the year with the direct contribution being reflected in service performance outturn.

**Section 4**

**4. Section 17 Implications**

- 4.1 Not Applicable

**Section 5**

**5. Human Rights Act Implications**

- 5.1 There are no identified implications in respect of the Human Rights Act 1998 arising from this report.

**Section 6**

**6. Data Protection Act Implications**

- 6.1 There are no identified implications in respect of the Data Protection Act.

**Section 7**

**7. Risk Management Implications**

- 7.1 There are no direct risk management implications of this report.
- 7.2 Any risks arising from the Financial Statements will be covered as part of the more detailed outturn report for revenue and capital.

**Section 8**

**8. Legal Implications**

- 8.1 The legal implications are set out throughout the report.

**Section 9**



**9. Financial Implications**

- 9.1 There are no direct financial implications as a result of this report.
- 9.2 The implications of the revenue and capital outturns on the respective medium term plans have been outlined above but will be the subject of more detailed reports to the relevant Committee.

**10. Human Resources Implications**

**Section 10**

- 10.1 There are no direct resource implications arising from the report.

**11 Conclusions**

**Section 11**

- 11.1 That the recommendation at paragraph 2 be approved.

**12. Background Papers**

**Section 12**

- 12.1 Statement of Accounts 2006-07.