

CANNOCK CHASE COUNCIL

COUNCIL

28 JUNE 2006

REPORT OF DEPUTY CHIEF EXECUTIVE

APPROVAL OF STATEMENT OF ACCOUNTS

1. Purpose of Report

- 1.1 To present the statement of accounts for the financial year 2005-06 for consideration and approval by the Council.

2. Recommendations

- 2.1 That the Council approve the Statement of Accounts for the financial year 2005-06.
- 2.2 That the Council approve the Statement on Internal Control for the financial year 2005-06.

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 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.
  - Consolidated revenues accounts.
  - Consolidated balance sheet.
  - Cash flow statement.
  - Statement on the system of Internal Financial Control
  - Notes to the accounts as appropriate
- 3.5 A copy of the pre-audit statement of accounts is attached and additional copies are available in each of the group rooms
- 3.6 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.
- 3.7 General Fund revenue balances at 31 March 2006 (after rollovers) amounted to £1.651 million and exceed the Medium Term Budget Forecast by £0.010 million.
- 3.8 The balance of HRA revenue reserves at 31 March 2006 amounted to £1.720 million and exceeds the Medium Term Budget Forecast by £0.317 million.
- 3.9 The deficit on the Collection Fund for this Council will require an adjustment to the 2007-08 budget resources of approximately £0.026 million.
- 3.10 Capital expenditure in the year was some £0.199 million in excess of the approved programme. Available resources as at 31 March 2006 exceed the Medium Term Budget Forecast by £0.113 million and £0.159 million for the General fund and HRA respectively.
- 3.11 The Statement of Internal Control was considered by the Audit & Governance Committee at its meeting of the 8 June 2006.

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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 The Accounts and Audit Regulations (England) 2003 require local authorities to publish a Statement on Internal Control with their financial statements. Regulation 4 states that:

"The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes for the management of risk."

"The relevant body shall conduct a review at least once a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices, with (a) any statement of accounts it is obliged to publish in accordance with regulation 11, or (b) any income and expenditure account, statement of balances or record of receipts and payments it is obliged to publish in accordance with regulation 12."

1.4 The Statement on Internal Control for 2005-06 has been produced based on the outcomes of internal reviews, the work of internal and external audit, and the monitoring undertaken by the Cabinet and the Scrutiny Committee and was submitted to the Audit Committee on the 8 June 2006..

1.5 A copy of the Statement on Internal Control is attached. The statement is required to be signed by the Leader and the Chief Executive.

1.6 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 2005 -06**

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.
- Consolidated revenues accounts.
- Consolidated balance sheet.
- Cash flow statement.
- Statement on the system of Internal Financial Control
- Notes to the accounts as appropriate.

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

### 2.3 Consolidated Revenue Account

2.3.1 The Consolidated Revenue Account shows total expenditure on services of £62.692 million and total income of £44.792 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 £13.374 million. This amount has been financed as follows: -

<b>Sources of Finance</b>	<b>£ million</b>
Revenue Support Grant	4.271
Council's share of NNDR Pool	3.010
Collection Fund	5.279
General Fund Revenue Balances	0.814
<b>Total</b>	<b>13.374</b>

2.3.2 The Projected Outturn as approved by Council in February 2006 forecast the utilisation of £1.604 million of Revenue Balances to support the budget .The actual outturn shows a transfer of £0.814 million with a resultant under spend of £0.790 million. The under spend primarily relates to the planned rollover of budgets to the 2006-07 financial year of £0.780 million with a net under spend of £0.010 million.

2.3.3 A detailed analysis of the outturn has been 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.

2.3.4 Use of Section 106 funds for Economic Development amounted to £0.110 million as compared to a budget forecast of £0.150 million .The under spend on expenditure will be subject to rollover to 2006-07.

2.3.5 General Fund balances at 31 March 2006 (after rollovers) amounted to £1.651 million and exceed the Medium Term Budget Forecast by £0.010 million.

## **2.4 Housing Revenue Accounts**

2.4.1 The Housing Revenue Account (HRA) shows total expenditure of £19.662 million and income of £20.514 million. The surplus on the account is reflected in an increase in reserves of £0.852 million over the year.

2.4.2 The projected outturn as approved by Council in February 2006 forecast a transfer to reserves of £0.535 million with a resultant under spend of £0.317 million.

2.4.3 The balance of HRA revenue reserves at 31 March 2006 was £1.720 million.

## **2.5 Collection Fund.**

2.5.1 The Collection Fund shows Gross Council Tax income of £36.445 million and total expenditure in the form of precepts of £36.402 million, resulting in a surplus for the year of £0.043 million.

2.5.2 The balance on the Collection Fund at 31 March 2006 was a deficit of £0.335 million. This differed from the deficit anticipated in January 2006 by £0.180 million. This amount will be adjusted in the 2006-07 Council Tax calculation with this Councils adjustment amounting to approximately £0.026 million.

## **2.6 Summary Trading**

2.6.1 The summary Trading Accounts shows a surplus of £0.323 million. General Fund activities for the year showed a surplus of £0.072 million, with the HRA surplus £0.251 million being transferred to the respective revenue account in the year. A contribution of £0.168 million was made from the General Fund Trading Reserves in the year. The Trading reserves stood at £0.107 million at 31 March 2006.

## **2.7 Consolidated Balance Sheet**

2.7.1 The Consolidated Balance Sheet summarises the Council's assets and liabilities at 31 March 2006, 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:

2.7.2 Capital expenditure in 2005-06 amounted to £9.765 million compared with an approved budget of £9.566 million, representing an over spend of £0.199 million. 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 on the Agenda.

2.7.3 The available Capital resources at the 31 March 2006 amount to £1.173million General Fund and £6.569 million for the Housing Programmes. The provisional outturn indicates an increase in capital resources for the General Fund of £0.113m as compared to the Medium Term Capital resources presented to Council in February. Whereas the Housing programme shows additional resources of £0.159 million. The latter primarily relates to a lower than anticipated fall in the number of capital receipts from Council House sales in 2005-6 supplemented by an increase in Revenue Contribution to Capital Outlay. Further details are contained in the respective outturn reports on the Agenda.

2.7.4 The capital expenditure in 2005-06, and the methods of financing are detailed below:

Expenditure	£000	Financing	£000
Culture and Sport	214	Capital Receipts	4,652
Housing	7,976	Section 106	206
Social Inclusion	713	Borrowing	1,388
Environment	645	Specified Capital Grant	265
Access to Skills and Economic Development	217	MRA	3,125
		Other Grants	129
	<u>9,765</u>		<u>9,765</u>

2.7.5 Earmarked General Fund revenue reserves as at 31 March 2006 amount to £2.093 million and exceed the estimated balance as included in the approved medium term plan by £0.312 million. The difference primarily relates to the rollover of expenditure into 2006-07. Earmarked HRA revenue reserves as at 31 March 2006 amount to £0.273 million.

2.7.6 Trading balances available to support the General Fund as at 31 March amount to £0.107 million and exceed the 2006-07 budget provision by £0.076 million

2.7.7 The net current liability of the Council (excluding Investments) amounts to £2.558m and shows an increase in the year of £1.759 million. The movement includes an increase in the amount due to the ODPM for Capital Receipts pooling of £0.383 million, prepayments for National Non Domestic Rates of £0.602 million with normal creditors increasing by £0.592 million.

2.7.8 The Capital Financing Requirement as at 31 March 2006 amounted to £23.680 million compared to a Prudential Indicator forecast of £23.711 million. Prudential borrowing of £0.570 million was undertaken during the year with External Debt as at 31 March amounting to £14.758 million, in line with the year end forecast, and is within both the Operational and Authorised limits set for the year

### 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 2005-06. 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 2005-06.