

CANNOCK CHASE COUNCIL

COUNCIL

25 JUNE 2008

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 2007-08 for consideration and approval by the Council.

2. Recommendations

- 2.1 That the Council approve the Statement of Accounts for the financial year 2007-08.
- 2.2 That the Council approve the Annual Governance Statement for the financial year 2007-08.

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), as amended by the Accounts and Audit (Amendment) Regulations 2006, 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 an Annual Governance Statement 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 The Annual Governance Statement and the pre-audited accounts were submitted for consideration to the Audit & Governance Committee on the 17 June and 24 June 2008 Respectively.

- 3.6 Committee at its meeting of the 17 June recommended that Council approve the Annual Governance Statement whereas Committee's recommendations for the Statement of Accounts are submitted today for consideration.
- 3.7 The Statement of Accounts (as attached) consists of the following key areas: -
- Explanatory foreword.
 - Summary statement of income and expenditure for each fund of the Council.
 - Statement of Accounting Policies and 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
 - Annual Governance Statement
- 3.8 Members should note that in accordance with the Statement of Recommended Practice for 2007-08 there are minor changes to the Statement of Accounts.
- 3.9 The key accounting changes relate to the deletion of the capital financing account and the fixed asset replacement reserve to be replaced by a capital adjustment account and a revaluation reserve respectively with the remainder of changes primarily relating to the content of each.
- 3.10 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.
- 3.11 General Fund revenue balances at 31 March 2008 (after rollovers) amounted to £0.988 million and are in line with the Medium Term Budget Forecast.
- 3.12 The balance of HRA revenue reserves at 31 March 2008 amounted to £1.285 million and is £0.377 million higher than the Medium Term Budget Forecast of £0.908 million.
- 3.13 The surplus on the Collection Fund for this Council will increase budget resources by approximately £0.038 million in 2009-10.
- 3.14 Capital expenditure in the year was some £0.735 million below the approved programme. Available resources as at 31 March 2008 for the General Fund exceed the Medium Term Budget Forecast by £0.028 million whereas HRA resources are some £*** million lower than anticipated reflecting lower receipts.

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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 Regulations were amended in 2006 –The Accounts and Audit (Amendment) Regulations 2006 – with the amendments primarily relating to the review of the systems of internal control and internal audit. For the year 2007-08 onwards, proper practice has been determined as being the CIPFA/SOLACE guidance on Corporate Governance. What this means in practice is that the Council will no longer publish a Statement on Internal Control (SIC) but will incorporate this within an Annual Governance Statement (AGS). An annual review of governance arrangements and publication of the Statement is thus a statutory requirement.
- 1.3 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.
- 1.4 Committee at its meeting of the 17 June recommended that Council approve the Annual Governance Statement whereas Committee's recommendations for the Statement of Accounts are submitted today for consideration.
- 1.5 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 2007-08**

- 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.
 - Statement of Accounting Policies and 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
 - Annual Governance Statement
- 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 Losses**
- 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 £60.924 million and total income of £49.098 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 £13.955 million. This amount has been financed as follows: -

Sources of Finance	£ million
Revenue Support Grant	1.165
Council's share of NNDR Pool	6.940
Collection Fund	5.265
Transfer from Reserve	0.330
General Fund Revenue Balances	0.255
Total	13.955

- 2.3.6 The Projected Outturn as approved by Council in February 2008 forecast the utilisation of £0.631 million of Revenue Balances to support the budget. The actual outturn shows a transfer of £0.255 million with a resultant under spend of £0.376 million. The under spend primarily relates to the planned rollover of budgets to the 2008-09 financial year of £0.378 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 £0.111 million as compared to a budget forecast of £0.147 million. The under spend on expenditure will be subject to rollover to 2008-09.
- 2.3.9 General Fund balances at 31 March 2008 (after rollovers) amounted to £0.988 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 2008, 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 2007-08 amounted to £12.425 million compared with an approved budget of £13.160 million, representing an under spend of £0.735 million (The Original budget Approved by Council in February 2007 amounted to £14.90m). The under spend primarily related to slippage 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 2008, after taking into account slippage, amount to £2.759 million General Fund and £3.215 million for the Housing Programme. The provisional outturn indicates an increase in overall resources for the General Fund of £0.028 million and a reduction in capital resources for the Housing programme of £0.526 million. The latter primarily relates to a fall in the number of capital receipts from Council House sales in 2007-08 and additional scheme costs. Further details for the General Fund and HRA are contained in the respective outturn reports to Council.
- 2.4.4 The capital expenditure in 2007-08, and the methods of financing are detailed below:

<u>Expenditure</u>	<u>£000</u>	<u>Financing</u>	<u>£000</u>
Children and Young people	3,440	Capital Receipts	667
Healthier Comm, Housing	8,883	Section 106	425
Safer and Strong Comms	30	Borrowing	2,468
Environment	18	Specified Capital Grant	206
Access to Skills & Econ.Dev.	54	MRA	3,136
		Revenue Contribution to Capital	4,270
		Capital Fund	385
		Other Grants	868
	12,425		12,425

- 2.4.5 Earmarked General Fund revenue reserves as at 31 March 2008 amount to £2.422 million and exceed the estimated balance as included in the approved Medium Term Plan by £0.566 million. The difference primarily relates to the rollover of expenditure into 2008-09, and a new

reserve was created in relation to Judicial Review in 2007-08. The reserve amounted to £50,000. Earmarked HRA revenue reserves as at 31 March 2008 amount to £0.794 million.

- 2.4.6 Trading balances available to support the General Fund as at 31 March 2008 amount to £0.003 million and have reduced against the 2007-08 budget provision by £0.003 million
- 2.4.7 The net current liability of the Council (excluding Investments) amounts to £3.818 million and shows a reduction in the year of £0.628 million. The movement includes a surplus on the collection fund of £0.698 million .
- 2.4.8 The Capital Financing Requirement as at 31 March 2008 amounted to £26.145 million compared to a Prudential Indicator forecast of £25.994 million. Prudential borrowing of £2.5 million was undertaken during the year with External Debt as at 31 March amounting to £16.287 million, which is higher than 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 £16.553 million and income of £16.893 million. The surplus on the account is reflected in an increase in working balances of £0.340 million over the year and a transfer to reserves of £0.407.
- 2.5.2 The projected outturn as approved by Council in February 2008 forecast a transfer to reserves of £0.037 million with a resultant under spend of £0.377 million.
- 2.5.3 The balance of HRA revenue reserves at 31 March 2008 was £1.285 million.

2.6 Collection Fund.

- 2.6.1 The Collection Fund shows Gross Council Tax income of £40.563 million and total expenditure in the form of precepts of £39.757 million, resulting in a surplus for the year of £0.806 million.
- 2.6.2 The balance on the Collection Fund at 31 March 2008 was a surplus of £0.282 million. This differed from the break even anticipated in January 2008 by £0.282 million. This amount will be adjusted in the 2009-10 Council Tax calculation with this Councils adjustment amounting to approximately £0.038 million.

2.7 Summary Trading

- 2.7.1 The summary Trading Accounts shows a surplus of £0.109 million. General Fund activities for the year showed a surplus of £0.037 million, with the HRA surplus £0.072 million being transferred to the respective revenue account in the year. A contribution of £0.003 million was made from the General Fund Trading Reserves in the year. The Trading reserves stood at £0.079 million at 31 March 2008.

Section 3

3. Contribution to CHASE

- 3.1 The Statement of Accounts represents the agreed financial reporting of the outturn for revenue budgets and capital programmes for 2007-08. 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.

Section 10

10. Human Resources Implications

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

Section 11

11 Conclusions

- 11.1 That the recommendation at paragraph 2 be approved.

Section 12

12. Background Papers

- 12.1 Statement of Accounts 2007-08