

Council – 26 June 2008

STATEMENT OF ACCOUNTS 2007/2008

Report of the Head of Financial Services

Statutory Powers: Section 151 Local Government Act 1972
The Accounts and Audit Regulations 1996 and 2003

Financial Implications: Advises Members that a surplus of £390,000 was recorded in 2007/2008 which will be credited to the Council's accumulated surplus.

Purpose

This report presents a summary of net revenue and capital expenditure for Members consideration and seeks approval of the Statement of Accounts for 2007/2008 (attached).

Links to Council Priorities

Effective financial management underpins the achievement of all the Council's priorities and commitments.

RECOMMENDATION

That the Council RESOLVES that:

- 1. The Statement of Accounts for the financial year ended 31 March 2008 is formally approved.**
- 2. A sum of £7,000 for the provision of litter bins and £12,000 for tree inspection are carried forward into the 2008/09 financial year from the surplus arising in 2007/08.**
- 3. A transfer of £200,000 is made from the Council's accumulated surplus to the Strategic Issues Reserve in 2008/09.**
- 4. Following the approval of the accounts, the Chairman of the Council shall sign and date the accounts on behalf of the Council, to represent the Council's approval.**

Introduction

1. The Accounts and Audit Regulations 1996 and 2003 set out the requirements for the production and publication of the local authority's annual Statement of Accounts (SOA).
2. The SOA is an essential feature of public accountability, since it provides the stewardship report on the use of funds raised from the public. The closing of accounts is also important to the budgetary process, since it confirms the availability of reserves and balances for future use.

3. The attached booklet contains the Council's final accounts in full, including details of the Income and Expenditure Account, Balance Sheet, Collection Fund together with statements setting out movements in reserves and cash flow. In addition, Section 1.4 (page 2) of the booklet summarises the major variations in income and expenditure from the original budget. Significant statutory changes in relation to capital accounting and financial instruments have been introduced in 2007/08 that are designed to align local authority accounts more closely with the United Kingdom Generally Accepted Accounting Practice (UK GAAP) which also applies to the Private Sector. These developments are outlined in the SOA.
4. The accounts have been prepared in accordance with all relevant and appropriate accounting standards including, Financial Reporting Standard (FRS 17) which deals with pension costs. The booklet also describes the Council's responsibilities for internal control and will include the Annual Governance Statement.

FRS 17 – “Accounting for Retirement Benefits”

5. This standard ensures that the full cost of employing people is recognised systematically in the accounts and that creditors reflect the council's liability to pay money into the pension fund. A full explanation of the pension's liability is included in the Council's SOA. Members are advised that the accounting arrangements for FRS 17 are for reporting purposes only. Indeed the required entries are reversed out of the accounts and consequently, FRS 17 has no impact on the Council's “bottom line”.

Revenue Expenditure

6. Revenue expenditure represents the ongoing costs of carrying out day-to-day operations, and is financed from council tax, fees and charges, government grants and interest earned on investment activity.
7. The surplus on the General Fund in 2007/2008 is £390,000 which is equivalent to less than 1% of the Council's gross turnover. The main differences from budget are shown in paragraph 4 of the Explanatory Forward in the SOA (Section 1 page 2).

Capital Expenditure

8. Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £4.6M in 2007/08 and is analysed in note 13 of Section 4 of the SOA (pages 30-32).

Audit of Accounts

9. Members are advised that the accounts will be audited by our External Auditors, the Audit Commission, during July.

Proposed carry forwards

10. Due to staff illness the litterbin budget was under spent by £7,000 in 2007/08. A request has been made by Environment Services for this sum to be carried forward to the 2008/09 financial year.

11. The tree Inspection and Management Budget was under spent by £12,000 in 2007/08. Current staffing issues within the Landscape and Recreation team are requiring the use of external consultants for the inspection of trees to backfill in-house staff at times of peak workload. Recruitment of new staff is in hand and it is anticipated will be dealt with in the coming months so that the team can return to full capacity.

Strategic Issues Reserve

12. The balance on the reserve stands at £473,000 at 31 March 2008, but is fully committed. Members are requested to approve a transfer of £200,000 from the accumulated surplus to enable the Council to meet future strategic demands.

Risk assessment

Opportunities/Benefits	
Consideration of the Statement of Accounts forms an essential component of the Council's systems for public accountability. It also provides a platform for future resource planning.	
Issues/Obstacles/Threats	Control measures / Mitigation
The Council does not approve the SOA and consequently fails to comply with statutory requirements.	The accounts have been drawn up in strict accordance with the <i>Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice (the SORP)</i> , which is recognised by statute as representing proper accounting practice.

Conclusion

13. The Council has faced a number of budget pressures during the year. However, despite these challenges and a number of significant variations, our overall spend was in line with the original budget. The Council continues to provide value for money to our residents as demonstrated by the fact that it has third lowest Council Tax in Devon and Cornwall. Overall, our financial position remains strong and sustainable and the Council is well placed to meet the challenges of the future.

John Foxworthy
Head of Financial Services

Mark Seymour
Strategic Director (Resources)

Council
 26 June 2008

Background documents:
 None