

Council, 28 June 2007

## STATEMENT OF ACCOUNTS 2006/2007

### 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 deficit of £161,000 was recorded in 2006/2007 which will be charged against 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 2006/2007 (attached).

### Links to Council Priorities

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

## RECOMMENDATIONS

That the Council **RESOLVES** that:

- 1. The Statement of Accounts for the financial year ended 31 March 2007 is formally approved.**
- 2. 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.

Significant statutory changes have been introduced in 2006/07 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.

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 a Statement on Internal Control. These requirements are discussed below.

### **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”.

### **Statement on Internal Control (SIC)**

6. The Accounts and Audit Regulations 2003 require local authorities to “*Conduct a review at least once a year of the effectiveness of its system of internal control*” and to publish a SIC with its accounts.
7. This requirement makes it explicit that the Council is responsible for ensuring that, “*Its financial management and internal control systems are adequate and effective, which includes its risk management arrangements*”
8. This year's SIC will be considered by the Audit Committee at its meeting on 11 September 2007. Following that meeting it will be incorporated into the Statement of Accounts which is required to be published by 30 September 2007.

### **Revenue Expenditure**

9. 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.
10. The deficit on the General Fund in 2006/2007 is £161,000 which is equivalent to less than 0.5% 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

11. Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £2.9 M in 2006/07 and is analysed in note 12 of Section 4 (Notes to the Core Financial Statements) of the SOA (pages 29-31).

## Audit of Accounts

12. Members are advised that the accounts will be audited by our External Auditors, PricewaterhouseCoopers LLP, during July.

## Risk assessment

Risk	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 2006: 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 which resulted in a deficit of £161,000 against budget. However, our wide and varied range of services were provided very much in line with the original plans. 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  
28 June 2007