

AGENDA ITEM

## Corporate Affairs Committee

DATE: 27<sup>th</sup> JUNE 2007

STATEMENT OF ACCOUNTS 2006/2007 - DRAFT

PAUL SLOCOMBE – DIRECTOR OF RESOURCES

### PURPOSE OF REPORT

1. To seek members approval of the draft Statement of Accounts 2006/2007.

### BACKGROUND

2. The 2006 “Statement of Recommended Practice” (SORP) has introduced significant changes to the content and format of the 2006/2007 Statement of Accounts. The substantive changes introduced by the 2006 SORP are:
  - The replacement of the Consolidated Revenue Account and Statement of Total Movement on Reserves with an Income and Expenditure Account, Statement of Movement on the General Fund Balance and Statement of Total and Recognised Gains and Losses (STRGL).
  - A requirement to group the main or “core” financial statements together (i.e. Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement) followed by supporting notes.
  - Changes in the format of the Group Accounts aimed at removing unnecessary differences between the format of the core financial statements and the Group Accounts.

- The Statement on Internal Control (SIC) has been amended to include an assurance on the corporate governance arrangements of the subsidiaries, associates or joint ventures in which the Council has material interests.
  - The removal of the requirement to make a capital financing charge (Notional Interest)
3. Attached to this report are extracts from the draft Statement of Accounts 2006/2007 providing details of the core financial statements of the Council. A copy of the full draft statement has been made available to all members of the Corporate Affairs Committee. In addition a copy of the full draft statement has been deposited within the Members Library.
  4. **Appendix A - Income and Expenditure Account.** This statement is fundamental to the understanding of the local authority's activities, it reports the net cost for the year of *all* the functions/services for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
  5. **Appendix B - Statement of Movement on the General Fund Balance.** The purpose of the statement is to provide reconciliation between the statutory requirement for raising council tax and the technical accounting format of the Income and Expenditure Account.
  6. **Appendix C - Statement of Total Recognised Gains and Losses.** This Statement summaries all the gains and losses on movements on the headings within the Balance Sheet together with the final balance on the Income and Expenditure Account to demonstrate the total movement in the authority's net worth for the year.
  7. **Appendix D - Balance Sheet.** This statement is important to the understanding of the local authority's financial position as at the 31<sup>st</sup> March 2007. It reports details of, the value of assets owned by the council, the level of creditors (amounts owed by the Council), the level of debtors (amounts owed to the Council) and the level of provisions and balances maintained by the Council.
  8. **Appendix E - Cash Flow Statement.** The statement summarises the revenue and capital cash payments and cash receipts made by the Council to/and from third parties.

## **SIGNIFICANT FINANCIAL ISSUES**

9. Equal Pay. The Council has continued to receive equal pay claims during 2006/2007 from current and previous members of staff. The financial impact of the claims on the Council is significant. The payments for claims that have been settled has continued to be capitalised and the costs of disputing the outstanding claims were provided for in the 2006/2007 budget and the medium term financial plan. The complicated process of dealing with this issue is ongoing and continues to be a major financial risk to the authority.

10. FRS17 & Net Pension Assets. In line with the Financial Reporting Standard (FRS17) disclosure, the Net Pension Assets as at 31 March 2007 is a liability of £126m. This has decreased from a liability of £144.36m as at 31 March 2006. Most of the reduction is due to the change in fortunes of the Pension Funds investments primarily in stocks & shares and property reducing the amount of money that has to be set aside now to meet future benefits costs.
11. Job Evaluation. During 2004/2005 the Council carried out an authority wide programme of job evaluation of all lower grade staff, which formed the basis of a new pay and grading structure. Those staff re-graded to a higher level had their ongoing increase backdated to the 1<sup>st</sup> January 2004. The staff re-graded to a reduced level received 75% protection during 2006/2007. The combined liability has cost several million, which had been provided for as part of the Council's medium term financial strategy.
12. Gains and Losses on the Sale of Assets. The revised reporting requirements in the Statement of Accounts now require that any material gains or losses on the sale of assets are clearly shown. The accounts will simply show the net result but all reports to CMT and Members will detail the benefits and cost to the council and the reasoning behind the decision to sell.

## **AUDIT**

13. The Statement of Accounts 2006/2007 is still subject to external audit by the District Auditor. District Audit will commence the audit of the statement in early July and are expected to conclude in August 2007. On conclusion of the audit a further report will be presented to this committee outlining any key issues identified.

## **FINANCIAL CONSIDERATIONS**

14. None.

## **RECOMMENDATIONS**

15. It is recommended that Members approve the draft Statement of Accounts 2006/2007.

## **REASONS**

16. The recommendation is supported by the requirement to comply with the Accounts and Audit Regulations 2003, which require the Statement of Accounts 2006/2007 to be prepared and approved by the 30th June 2007.

## **BACKGROUND PAPERS**

Closure of accounts working papers

Draft Statement of Accounts 2006/2007.

Revenue Outturn 2006/2007 report – Executive 26<sup>th</sup> June 2007

Statement of Internal Control report – Corporate Affairs Committee 8<sup>th</sup> June 2007.

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