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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)</b>	<b>AGENDA ITEM: 9</b>
<b>DATE OF MEETING:</b>	<b>26th JUNE 2008</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (595811)</b>	<b>DOC:</b> u/ks/final accounts 0708/statement of accounts summary report 0708
<b>SUBJECT:</b>	<b>ANNUAL STATEMENT OF ACCOUNTS 2007/08</b>	<b>REF:</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendations**

- 1.1 That the Council's Draft Statement of Accounts including the Annual Governance Statement for the year ended 31 March 2008 (subject to Audit) are considered and be approved for Audit.
- 1.2 That the Committee authorises the Chairman of the Committee to sign the accounts in accordance with the Accounts and Audit Regulations 2003.
- 1.3 That the Committee authorises the Leader of the Council and the Chief Executive Officer to sign the Annual Governance statement.

## **2.0 Purpose of Report**

- 2.1 To submit the Council's draft annual accounts and financial statements (subject to Audit) for 2007/08. This is in accordance with provisions made in the Accounts and Audit Regulations 2003.

## **3.0 Detail**

### **Statutory Requirements**

- 3.1 The Account and Audit Regulations 2003, stipulate that the Council's draft annual accounts must be considered and approved by an appropriate committee and this must take place by 30<sup>th</sup> June each year.
- 3.2 The Regulations also require the Chairman of the relevant committee to sign the draft accounts. This indicates that Members have had an opportunity to scrutinise and consider the accounts in accordance with the regulations prior to Audit.

- 3.3 It does not indicate that they necessarily show a “true and fair view.” This is the remit of the Auditor, although the accounts and financial statements presented are considered to be fully compliant with all necessary accounting regulations and codes of practice.

### **Production of the Final Accounts**

- 3.4 To ensure that the accounts are produced in a timely and proper manner, a formal plan of work is laid out and agreed with the Council’s Auditor. This plan is communicated to senior management and to staff across the Authority.
- 3.5 The plan is monitored throughout the final accounts process by the Head of Finance. He ensures that adequate resources and support are directed to the plan to ensure that the Council’s accounts are drawn up and reported on time and in the proper manner.
- 3.6 This includes an assessment of the main risks associated with the production process. These are reviewed on a regular basis in accordance with the Council’s risk management arrangements.

### **The Council’s Draft Accounts and Financial Statements**

- 3.7 A copy of the Council’s Draft Statement of Accounts for the year ended 31 March 2008 is attached to this report. The first part of the Accounts explain how they are set out and provide some background and overview of the Council’s financial standing.
- 3.8 This Explanatory Foreword explains the more significant features in the accounts based on the information contained in the statements that follow. Generally, the various statements are technical in nature to meet regulations and best professional practice.

### **The Statement of Recommended Practice (the SORP) 2007**

- 3.9 The accounts have been prepared and are presented in accordance with the SORP. This specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents fairly the financial position and transactions of a local authority.
- 3.10 The SORP is effectively given a legal basis under provisions laid down in the Local Government Act 2003. It provides the interpretations of accounting standards applicable to local authorities as laid down by the Accounting Standards Board for England.
- 3.11 The SORP is reviewed and updated each year in response to developments and changes in accounting practice. The 2007 SORP has followed recent years and introduced some substantive changes compared to 2006/07.
- 3.12 This is in accordance with a move for local authority accounts to be more in line with other parts of the public sector and to meet international reporting standards.

- 3.13 Further changes are being proposed in 2008 and others are anticipated in succeeding years. However, the exact nature and timing of these are still to be decided.

### **SORP Compliant**

- 3.14 The accounts and financial statements presented to Members have incorporated the above changes and are considered to be in accordance with the SORP.
- 3.15 Summaries of the changes introduced in 2007 compared to 2006 that apply to the Council are set out below.

### **Revaluation of Fixed Assets**

- 3.16 The Fixed Asset Restatement Account (FARA) and Capital Financing Account have been replaced with a Revaluation Reserve and Capital Adjustment Account respectively. When capital accounting for local authorities was introduced back in 1994/95, it replaced a framework under which authorities were not required to maintain records of the historical cost or value of their fixed assets.
- 3.17 Consequently, the new arrangements in 1994 did not require authorities to implement a properly constituted revaluation reserve. Instead the FARA was introduced which just recorded the difference between the carrying amount of assets on 31st March 1994 and current values at 1<sup>st</sup> April 1994. In addition, this was done on a consolidated rather than individual asset basis.
- 3.18 The change brought about by the 2007 SORP has required authorities to formally record changes to asset values in accordance with wider accounting practice, including on an individual basis. In addition, all capital expenditure is now effectively accounted for through the Income and Expenditure Account.
- 3.19 However, it is reversed out later in the accounts so that there is no impact on the Council's "bottom line." These adjustments are purely accounting entries to demonstrate how changes in asset values and spending on associated capital investment, together with all other transactions, are affecting the Council's resources and overall financial position.

### **Other Changes**

- 3.20 Two other changes to the SORP have not affected the Council for 2007/08. These are the revaluation of investment properties together with accounting for, and reporting of financial instruments. The Council does not currently deal with any of these.

### **Minimum Revenue Provision (MRP)**

- 3.21 New regulations relating to the MRP have also come into force for 2007/08. These were detailed together with the Council's treatment and accompanying

policy statement in the earlier report on the Council's treasury management activities for 2007/08.

3.22 The draft accounts include the relevant MRP as calculated in that report.

### **Annual Governance Statement (AGS)**

3.23 The AGS is seen as a public assurance statement that the Council has a sound system of corporate governance, designed to help deliver services in a proper, inclusive, open and accountable manner. The AGS is the formal statement that recognises, records and publishes an authority's arrangements for doing this and it is a statutory requirement.

3.24 The AGS is a new statement that replaces previous ones that were limited to financial and internal control. The AGS has to be formally published within the Council's accounts after it has been considered and recommended for approval by the Audit Committee.

3.25 The Audit sub-Committee did this on 18<sup>th</sup> June and recommended that Finance and management Committee approve the AGS for inclusion in the draft accounts and for it to be signed by the Leader of the Council and the Chief Executive Officer – again this is a statutory requirement.

### **Summary of Accounts and Annual Report**

3.26 In an effort to improve the presentation of financial information, a Summary of Accounts was produced and published alongside the main document for 2005/06 and 2006/07. This was intended to provide an overview of the detailed statements in a way that is reasonably easy to understand.

3.27 This summary was produced following consultation with local residents who informed the content and layout, etc of the information. Following the last consultation, attendees at the seminar felt that overall the Council should produce a wider annual report that incorporated summary financial information.

3.28 A draft annual report for publication has been produced for 2007/08. This will be tabled for consideration at Council on 3<sup>rd</sup> July.

### **External Audit**

3.29 The accounts are still clearly subject to Audit. Grant Thornton (as the Council's appointed auditors) are scheduled to commence their audit of the accounts in July 2007 and are required to issue their opinion by 30th September 2007.

3.30 During this period, members of the public have the opportunity to ask and speak to the Auditor about aspects of the Council's accounts and finances. Certain days are set-aside for this.

3.31 In addition, the Council's Chief Finance Officer is required to provide a "Letter of Representation" to the auditors. This confirms that there are no significant

events that have occurred after the end of the accounting period that will materially affect the Accounts for 2007/08.

3.32 This letter will be provided to the auditors at the conclusion of their work. In addition, they will report to the Audit Sub Committee on 24<sup>th</sup> September 2008, on any issues that have arisen from their work. These will be contained in a Governance Report.

3.33 When the Auditor has issued their opinion, the main accounts and financial statements will be formally advertised and published.

#### **4.0 Financial Implications**

4.1 As detailed within the report.

#### **5.0 Corporate Implications**

5.1 None directly.

#### **6.0 Community Implications**

6.1 The production of the Council's statutory annual accounts and financial statements is an important part of stewardship and accountability for public resources.

6.2 Basically, it gives electors, those subject to locally levied taxes and charges, members of the Authority, employees and other interested parties detailed and clear information about the Council's accounts and finances.

#### **7.0 Background Papers**

- Statement of Recommended Accounting Practice (the SORP) 2007 and associated guidance notes.
- Accounts and Audit Regulations together with associated guidance notes.