

REPORT TO: Final Accounts & Audit Cttee

Report No. 8

Date of Meeting	28 June 2007
Title of Report	Statement of Accounts 2006-07
Portfolio	Leader's Responsibilities
Link to Corporate Priorities	All
Key Decision	Yes
Executive Workplan Ref	N/A
Public Report	Yes

Summary of Report

To present the 2006-07 Statement of Accounts to the Final Accounts and Audit Committee. (This final version replaces the draft version that was circulated with the agenda.)

Officer Recommendations

- 1 That the Committee reviews the 2006-07 Statement of Accounts and indicate whether there are any concerns arising that need to be considered.
- 2 That the revised General Fund balance be noted.
- 3 That subject to any comments arising at 1 above, the Committee adopt the attached Statement of Accounts (circulated separately from this Agenda).

Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report.

Financial Implications	Legal Implications	Community & Environmental Implications	Human Resources Implications	Equality & Diversity Implications
Yes	Yes	None	None	None

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1 Introduction

- 1.1 The Accounts and Audit Regulations 2003 require the Council to formally approve the Statement of Accounts by 30 June and publish them by 30 September 2007.
- 1.2 The attached Statement of Accounts (SOA), at Annex 1, will be presented to the External Auditor on 3 July 2007.
- 1.3 Due to the unique way in which the accounts have been structured in North Wilts, it has taken more resources, both in time and effort, to produce the accounts. This is further explored in Section 5 below. The upshot is that this report replaces the draft that was dispatched with the agenda. The Committee will also receive the Statement of Accounts for the first time.

2 Options and Options Appraisal

- 2.1 Option 1: to agree the recommendations;
- 2.2 Option 2: to not approve the recommendations. If this were the case, the Council would be in breach of the regulations.

3 Background Information

- 3.1 The information will be available to the general public through the statutory deposit period, 3rd July 2007 to 27th July 2007 between 8.45 am and 4.45 pm (Monday to Friday). During that time, members of the public may view documents and ask questions. On 31st July 2007, the auditor will give any elector, or their representative, an opportunity to question him/her about the Accounts.
- 3.2 Any material changes arising from the audit of the 2006-07 accounts, will need to be reported back to a future meeting of the Final Accounts and Audit Committee.
- 3.3 Compared to the position as previously reported to the Executive on 19th April 2007, the Council's General Fund balance has increased by £254k. The details of which are identified in Table 1 below, together with budgeted movements in balances for 2006-07.

Table 1. Estimated General Fund Balance at March 2007

General Fund Balance	£'000	£'000
Previously reported to Executive April 19, 2007		-3,777
Movements from Month 11 to the Final Outturn: <ul style="list-style-type: none">• Increased Expenditure – see Note below• Released Earmarked Balances – see 3.2 below• Increase in GF Balance	472 <u>-726</u>	-254
General Fund Balance estimated as at 31st March 2007 (Minimum Prudent Level £3,500k)		-4,031

Note: the increased expenditure was, in the main, due to three items:

- Additional bad debt provision for Housing Benefit overpayment recovery £214k;
- Additional Equipment Fund repayments charged to services £218k
- Interest correction for earlier years New Offices Sinking Fund £40k

3.4 Although the General Fund reserves total £4,031k, certain sums have been directly earmarked for use in 2007-08 and later years, as detailed in Table 2 below. They are the Earmarked Balances and are in addition to the General Fund Balance (Table 1). A fuller description of the movements is set out at Annex 2, but overall there has been an increase of £1,348k.

Table 2. Earmarked Balances - movement in 2006-07

Earmarked Balances	£'000	£'000
Earmarked Balances as at 31 st March 2006		-5,622
Movements from Opening Balance to the Final Outturn:		
Additions:		
• Seven items, including Carryforwards	-2,250	
Reductions		
• Reductions – Six items, including Equipment Fund	175	
• Released - Eight items inc. amortisation & VAT	<u>726</u>	
Overall increase		-1,349
Earmarked Balances estimated as at 31 st March 2007		-6,971

- 3.5 The detailed format of the annual Statement follows guidance issued by CIPFA/LASAAC. The format of the Statement can change from year to year to reflect new requirements or changes in Best Practice.
- 3.6 Adherence to the guidance will contribute to higher scores within the Comprehensive Performance Assessment (CPA), Use of Resources section.

The Collection Fund

3.7 The Collection Fund had an in-year surplus of £1,517k resulting in an overall surplus of £2,558k. It was estimated in January 2007 that the surplus would be £1,502k and this was apportioned between precepting authorities when setting the budgets for 2007-08. The increase of £1,056k in the outturn, compared to the January estimate, will be swept up in setting the level of Council Tax for 2008-09. The main causes were higher income on Council Tax (£1,206k), lower income on Benefits (£200k), offset by savings of £50k on debt, compared to the January estimates.

Objections

3.8 There were no objections to the 2005-06 Statement of Accounts. The Audit Commission did not qualify the 2005-06 accounts, when considering the true and fair view of the authorities accounts.

4 Legal Implications

4.1 Legal – The Statement of Accounts is a statutory document, which needs to be approved by the Council (or delegated Committee) by 30 June 2007 for the 2006-

07 financial year.

5 Financial Implications

5.1 As stated at 1.3, the accounts in North Wilts are structured in a unique way. This hinders all accounting activity, and particularly the closure of accounts. Working around this problem is expensive, in terms of time and resource. Three examples will illustrate this.

- The account closure process is complicated by the way the system is structured and by its inflexibility in reporting. The system has been developed over a number of years in a piece-meal and haphazard way with the emphasis on activity reporting rather than for statutory purposes. Because of inherent flaws in the system that have been exacerbated by poor development, the system is unable to provide information that is easy to reconcile at different levels. An example of this is its ability to report a Trial Balance (note comment below in example 2) but its inability to produce separate Balance Sheet and Income & Expenditure reports. This results in information being transferred to spreadsheets and adjustments being done on these reports and not necessarily in the main accounts system. As a consequence, one of the major problems has been to ensure the integrity of information produced.
- It is normal practice to separate the capital and revenue costs. The in-house treatment does not do this, mixing capital and revenue. A time-consuming process of extracting the capital items has to take place in order to understand what is happening. Similarly, codes are mixed up between the Balance Sheet and the other accounts (holding and control).
- The accounts report in one way, which is different from that used to report to Members. Normal practice is to have several reporting 'hierarchies' working from the same base data. The in-house practice is to have only one reporting hierarchy (BV-ACOP), so that a manual translation exercise has to be undertaken to put the information into a form (management accounts) that can be compared with that reported previously to Members.

6 Risk Analysis

6.1 The Council's General Fund balance as at the 31st March 2007 was £3,777k. This excludes balances that have been earmarked for use of £6,970k.

5.2 Other Implications – there are Comprehensive Performance Assessment implications on the timing of the approval of the SIC and Statement of Accounts.

Annexes:	<ul style="list-style-type: none"> • Annex 1 – Statement of Accounts 2006-07 (to follow) • Annex 2 – Movement in Earmarked Balances
Background Documents Used in the Preparation of this Report:	<ul style="list-style-type: none"> • Working papers

Previous Decisions Connected with this Report

Report	Committee & Date	Minute Reference
Revenue Monitor 2006-07 – Month 11	Executive 19 April 2007	E223

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Annex 2 - Movement in Earmarked Balances

Overview

The Earmarked Balances are in addition to the General Fund Balance (Table 1). Overall there has been an increase of £1,349k.

Table 1: Earmarked Balances - movement in 2006-07

Earmarked Balances	£'000	£'000
Earmarked Balances as at 31 st March 2006		-5,622
Movements from Opening Balance to the Final Outturn:		
Additions:		
• Seven items, including Carryforwards	-2,250	
Reductions		
• Reductions – Six items, including Equipment Fund	175	
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Overall increase		-1,349
Earmarked Balances estimated as at 31 st March 2007		-6,971

Process of review

A review of all Earmarked Reserves was undertaken. The results showed two main features. **Firstly**, there had been no movement on many of the items for many years; and there was no compelling reason for the item to remain. These totalled £289k, as set out at Table 2

Table 2: Redundant items

Earmarked Reserves - redundant items	2006 £000's	2007 Recomm Initial £000's	-ended £000's	2007 Released £000's
Unrecoverable VAT	148	148	0	148
Grants & Donations Fund	53	65	25	28
Car Parking Fund	43	43	0	43
Malmesbury HERS	33	33	4	29
Insurance Fund	25	25	0	25
Lottery Fund	14	14	0	14
Hackney Carriage Plates	2	2	0	2
	<u>318</u>	<u>330</u>	<u>29</u>	<u>289</u>

Secondly, there were a class of 39 items (Grounds Maintenance amortisation) on which there was an updating of the accounting treatment. It concerned the treatment of lump sums. The practice has been to support the revenue account by taking into it, interest on those lump sums. This is an incorrect treatment. Instead, the lump sum is deployed so that it is exhausted at the end of the period which it is meant to cover.

The review required the lump sums to be separately identified and attributed over the years to which they applied. Where the attribution was to years prior to 2007-08, the

whole of that amount can be released. It amounts to £437k, as set out in Table 3.

Table 3: Revised accounting treatment

Earmarked Reserves - Revised accounting treatment	2006 £000's	2007 Recomm Initial	-ended £000's	2007 Released £000's
Grounds Maintenance amortisation	953	955	516	437
	953	955	516	437

Therefore, in total £726k is released, as follows:

Table 4: Overall Funds Released

Earmarked Reserves - Overall Funds Released	2006 £000's	2007 Recomm Initial	-ended £000's	2007 Released £000's
Redundant items	318	330	29	289
Grounds Maintenance amortisation	953	955	516	437
Overall Funds Released	1271	1285	545	726

The remaining Earmarked Reserves amount to £6,970k, as set out at Table 5

Table 5: Recommended Earmarked Reserves

	£000's	%
Equipment Fund	993	
Grounds Maintenance amortisation	516	
Office Equalisation	727	
New offices sinking fund	917	
Planning Development Grant	652	
LABGI Grant Reserve	799	
S106 agreements	1,046	
Insurance Fund	285	
Project Reserves (carry forwards)	794	
Sub total	6,729	96.5
6 other items *	241	
Total	6,970	
* Other items		
District Election Reserve	140	
Planned Maintenance	61	
Grants & Donations Fund	25	
Malmesbury HERS	4	
Rent Deposits Reserve	7	
Business Support Grants	3	
	241	

The Treasury Management and Investment Strategy Working Group at its meeting of June 18th 2007, recommended that there should be a review of the Equipment Fund, to see if there are better ways of funding what is equipment of a capital nature.