

Report of the Director of Resources

## **Statement of Accounts 2006/07**

### **Summary**

1. The purpose of this report is to enable the Audit and Governance Committee to undertake an examination of the Council's financial accounts for the financial year 2006/07 prior to their approval by Full Council on the 28 June. As such this report provides the Audit and Governance Committee with an opportunity to review and comment on the content and presentation of the Accounts prior to their finalisation.
2. The report also allows the Audit and Governance Committee to fulfil the CPA requirement that the accounts have been given a 'robust' scrutiny by Members prior to being approved. It is therefore important that the accounts are looked at in some detail and that such discussions are minuted as evidence of that discussion. Any follow-up issues required by this Committee will be brought back at a later date. In determining which areas they wish to address Members may wish to refer to the key issues and changes identified throughout the rest of this report.
3. The outcomes of this meeting will be reported to the Executive when they meet on the 26 June to consider the statement of accounts and refer them to council. The draft statement of accounts itself is due to be approved by full council on the 28 June.
4. The Committee should note that copies of the statement of accounts are not attached to this agenda but instead are being circulated as part of the council agenda papers.

### **Background**

5. The 2006/07 final account process has been very difficult. On a national basis the format of the accounts has been radically altered to bring it in line with Generally Accepted Accounting Practice (GAAP), the underlying international standard for accounts with which the Council must comply. Such an approach isn't very useful for the council in that the new standards are designed for business accounting purposes and some of the existing connectivity between the accounts and the council's business has been eroded.
6. A side affect of these changes has been that not only have officers had to deal with changed, or new, reporting and analysis arrangements but they have also had to recast the 2005/06 accounts into the revised format. The level of commitment this has required from accounting staff should not be underestimated.

7. The challenge that this has presented has meant that at the time of publication of this agenda the statement of accounts were still being finalised. A decision has been taken that rather than provide members with an incomplete document with this report, and then subsequently have to table a substantial erratum sheet at the meeting, to defer production until the council papers are published on the 20 June. Whilst not ideal this still provides committee members with an opportunity to review the statement of accounts prior to the meeting. It should be noted, however, that the accounts review process will continue up until the accounts are agreed at full council and so there is a probability that some minor erratum will be issued at that meeting.
8. To aid in their deliberations members will be briefed on the statement of accounts at the meeting. This presentation will highlight the significant issues or changes that the Committee may wish to discuss; alternatively members may have other issues they wish to query. To assist with their discussions, Members are requested to bring their set of the draft financial accounts to the meeting.
9. It is a statutory requirement that this year Members approve the Statement of Accounts before 30 June and following this the accounts must be 'on deposit' and for the District Auditor to be available for interrogation by any member of the public. It has been provisionally agreed that the District Auditor will be available on the 6 August, and the accounts will be 'on deposit' for public inspection between 9 July and 3 August. The deposit period will be advertised in the York Press.
10. A provisional out-turn report will be presented to the Executive on 26 June 2007. That report will concentrate on the performance against the revenue budgets, and will make recommendations for use of the overall underspend for carry forward items where budgeted work could not be completed by 31 March. As the accounts need to fully represent the financial position of the Council these recommendations will be incorporated into the Foreword to the Statement of Accounts. Any changes will have to be approved by Council when the accounts are presented to them for final approval on 28 June 2006.
11. Members should note that the District Auditor has not yet started the audit of the Statement of Accounts. If the District Auditor does insist on any significant changes to the accounts, they will be reported to the Executive following the completion of the audit.
12. To assist members understanding the following sections set out information on the constituent parts of the Statement of Accounts in the order in which they are produced.

### **Foreword**

13. This is designed to help give readers an understanding of the accounts. It sets out a description of all the individual sections, gives an overview of the revenue and capital position in the year, identifies the position on the Council's borrowing powers and reserves and future issues that may influence how the Council is run. The Foreword also provides the opportunity to explain any changes in accounting policies that have been used in the preparation of the Accounts.

### **District Auditor's Report**

14. This is the auditor's certificate on the accuracy or otherwise of the authority's accounts and is issued at the end of the audit process. York has never had a qualification to its audit certificate.

### **Statement of Accounting Policies**

15. This statement sets out all the policies that have been followed in preparation of the accounts. It also intended to demonstrate where, if at all, the policies followed by Council differ from either the best practice or the CIPFA guidelines.

### **Statement of Responsibilities**

16. This is a simple statement that sets out the different legal responsibilities of the Council and the 'Section 151 Officer' (Director of Resources). It is also where the certificate has to be signed by the Director of Resources that the accounts represent fairly the position of the Council, and the Lord Mayor (or Chair of Council on the day that the accounts are approved) must sign to demonstrate that the accounts have been approved by Members.

### **Statement of Internal Control**

17. The Accounts and Audit Regulations Act 2004 imposes a legal requirement to prepare a Statement of Internal Control (SIC). This requirement represents a specific development in corporate governance arrangements within local authorities. The SIC has to be published with the Statement of Accounts and represents an important part of the overall process within the Council for monitoring and reporting on the adequacy and effectiveness of the corporate governance arrangements, particularly those in respect of risk management and internal control. The format and wording of the SIC included in the draft accounts closely follows CIPFA guidance.
18. It is a requirement this year that the SIC is considered separately to the Statement of Accounts, and for that reason there is a separate report on this agenda. If there are any changes to the SIC they will be substituted for the version that is in these draft accounts as necessary when the Accounts are placed on deposit.

### **Income and Expenditure Account**

19. The Income and Expenditure Account is a new requirement which replaces the Consolidated Revenue Account. This account shows the net cost of all the functions for which the Council is responsible. It compares the cost of service provision with the income raised by fees and charges, from specific Central Government grants and from the Collection Fund. The surplus or deficit on this account represents the amount by which income is greater than or less than expenditure, where income and expenditure are measured using essentially the same accounting conventions that a large (but unlisted) company would use in preparing its audited annual financial statements.

### **Statement of the Movement on the General Fund Balance**

20. This account reconciles the amounts that must be taken into account when determining the Council Tax of the Council in accordance with statute and non-statutory proper practices and the sums included in the Income and Expenditure

Account.

### **Statement of Total Recognised Gains and Losses**

21. This statement is a new requirement which attempts to analyse changes in the council's asset base due to:

- Surplus or deficits on income and expenditure
- The revaluation of the council's fixed assets
- Changes in pension liabilities due to actuarial revaluation

22. In many instances these revaluations impact primarily on the council's balance sheet.

### **Balance Sheet**

23. The balance sheet shows the overall financial position of the Council with external bodies by bringing together the year-end balances of all the Council's accounts. It shows the balances and reserves at the Council's disposal, the long-term indebtedness, the net current assets and summary information on the fixed assets held.

### **Cash Flow Statement**

24. This statement provides a link between the Balance Sheet at the beginning of the year, the revenue accounts for the year and the Balance Sheet at the end of the year. It summarises on a subjective basis the expenditure and income of the Council for revenue and capital purposes.

### **Housing Revenue Account Income and Expenditure**

25. This account summarises the income and expenditure of providing Council houses. There is a statutory requirement to keep this account separate from other Council activities.

### **Statement of Movement on the Housing Revenue Account Balance**

26. This statement shows how the deficit on the Housing Revenue Account Income and Expenditure Account for the year reconciles to the surplus for the year on the Statutory Housing Revenue Accounts.

### **Collection Fund**

27. This fund shows the transactions of the Council acting as Charging Authority in relation to Council Tax, Community Charge and Non-Domestic Rating in aid of local services and shows how much monies have been distributed to the Council, North Yorkshire Police Authority, North Yorkshire Fire and Rescue Authority, and parish councils.

### **Consultation**

28. This report is presented for scrutiny purposes. In particular it is presented to enable Members to request further information on any matters included within the Accounts, or to request further information to be presented to them at a later date. The outcome of this meeting will be reported to the Executive and Council as part of their decision taking process.

### **Options**

29. There are no alternative options applicable to this paper.

### **Analysis**

30. The analysis of the statement of accounts will be provided at the meeting.

### **Corporate Priorities**

31. When determining the CPA score to issue for the Council consideration is given to whether or not the Statement of Accounts has undergone a full scrutiny by Members prior to being approved by Council.

### **Implications**

32. The implications are

- Financial - there are no financial implications to this report
- Human Resources - there are no human resource implications to this report
- Equalities - there are no equality implications to this report
- Legal - there are no legal implications to this report
- Crime and Disorder - there are no crime and disorder implications to this report
- Information Technology - there are no information technology implications to this report
- Property - there are no property implications to this report
- Other - there are no other implications to this report

### **Risk Management**

33. This report is for Members to review and comment on the Statement of Accounts. Failure to adequately review the Accounts can impact negatively upon the Council's CPA assessment and reportage of financial issues. Scrutiny also provides a valuable mechanism for the identification of potential errors, enhanced clarity of reportage and overall awareness of elected members. All of these areas have a positive impact on the financial management of the authority.

### **Conclusion**

34. The production and publication of the Statement of Accounts is a statutory requirement that provides Members and interested parties with the chance to see the full financial position of the Council. Once the Accounts are audited, a set will be distributed to all Members and Chief Officers.

35. In bringing the Statement of Accounts to Audit and Governance Committee prior to their presentation to the Executive and adoption at full Council maximises the opportunity for Member led debate and compliance with defined best practice.

### **Recommendations**

36. Members are requested to ask questions or raise issues in relation to the 2006/07 financial accounts

Reason: It is an important part of Member involvement in corporate governance that a full scrutiny is undertaken of the Council's Accounts.

**Contact Details**

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Report approved  Date 13/6/07

**Specialist Implications Officer(s)** None

**Wards Affected:** *List wards or tick box to indicate all* **All**

**For further information please contact the author of this report**

**Background Working Papers**

Statement of Accounts 2006/07  
Closure of Accounts files held in the City Finance Centre