

DRAFT STATEMENT OF ACCOUNTS AND OUTTURN POSITION 2007-08

Head of Finance

1 Purpose

- 1.1 This report presents the draft Statement of Accounts for approval. The statement gives the final position for the financial year that ended on 31st March 2008. The figures are presented for approval in advance of their inspection by the External Auditors. Any adjustment that the Auditors require as a result of their inspection will be reported at a later date.
- 1.2 The accounts are attached for members' consideration. The tight deadlines allowed for closing the accounts mean that work continues on the detail of the statement to ensure that the version presented to the Auditors is entirely complete. For this reason it may be necessary to present minor changes to the statements verbally at the meeting of this committee.
- 1.3 The March Quarterly Digest, which is issued to all Members, gives full details of the position for each service whilst this report concentrates on the higher level position and the main issues affecting it.

2 Recommendations/for decision

- 2.1 That the outturn position be noted.
- 2.2 That the Statement of Accounts be approved prior to their inspection by External Audit.

3 Supporting information

Actual Outturn versus the Forecast Position

- 3.1 The year end position included within the statutory accounts contains transactions which are required by the accounting regulations. These transactions are intended to provide the reader with a complete picture of the Authority's financial affairs during the course of the year, but not all of them impact upon the cost of services to the Council Tax payer.
- 3.2 For this reason is difficult to reconcile the statutory accounts with the figures included within the Quarterly Financial Digest, which does reflect the true cost of services to the Council Tax payer.
- 3.3 The March Quarterly Financial Digest reported the outturn position for General Fund services to all members.
- 3.4 The Digest shows a net under spending against the Council's General Fund budget for 2007/08 of £382,046. This is £117,954 lower than had been forecast.
- 3.5 The table below compares the outturn position for 2007/08 with those of the last 5 years;

Year	Forecast Under Spend £	Actual Under Spend £	Variation from Forecast
2002/03	-326,230	-545,706	219,476
2003/04	-585,420	-1,201,258	615,838
2004/05	-681,700	-1,089,980	408,280
2005/06	-848,100	-996,341	148,241
2006/07	-663,700	-503,586	-160,114
2007/08	-500,000	-382,046	-117,954

- 3.6 The final figure in each of the past 6 years has been a significant under spend. When considering this it needs to be recognised that the gross budget for the Authority is £85 million and that the under spend has been no more than 1½% to ½% of this figure.
- 3.7 Considerable effort has been invested into identifying the areas of potential under-spending / additional income and focusing budgetary effort into ensuring that the budget reflects realistic spend and income levels. However, because of their demand led nature, anticipating the actual level of demand at the budget setting stage remains a difficult undertaking.
- 3.8 The table demonstrates that the action taken to minimise the final under-spend and the element of variance which is un-predicted has been extremely effective, reducing the figure from £615,000 four years ago to just £117,954 in 2007/08.
- 3.9 Early and better prediction of the eventual outturn position allows additional resources to be taken into consideration when budget planning for future years. This year a £500,000 net under spend was predicted and was taken into account when the budget for 2008/09 was approved. The actual under spend was just £117,954 lower than this and will be taken into account during budget planning for 2009/10.
- 3.10 The unpredicted variance of £117,954 against a gross budget of £85 million represents only 0.1% and is therefore a significant achievement.
- 3.11 The actual use of balances in 2007/08 was £1.1 million compared with £1.0 million assumed in financial planning.
- 3.12 The Authority's auditors have highlighted in previous reports that we continue to spend in excess of income and that this year on year use of reserves is ultimately unsustainable.
- 3.13 The medium term financial plan addressed this problem but leaves the Authority with some difficult savings to identify going into future years.
- 3.14 The Digest provides explanations for all significant variances and so consequently this report only highlights some of the largest issues. These are summarised below;
- Car Parking Income was down on previous years because of changes in usage patterns and has meant that Car Parking income has fallen short of target for 2007/08 by £102,000.

- Local Land Charges activity was lower than assumed due to a downturn in the market and an increase in competition, which resulted in income falling by £102,000.
- Office Accommodation costs were higher due to increased costs on utilities plus the relocation and rental costs of moving to the Gateway were higher than expected by £168,000.
- The Civic Centre suffered from the impending closure as the number of new bookings received was down and together with increased performance costs meant the centre was overspent by £124,000.
- Town Centre Open Spaces. The legal requirement to test for legionella and the maintenance regime associated with the water feature in Kingsbury cost the Council an additional £113,000.
- Design Services have made savings of £116,000 from a combination of lower salaries and additional fee income

Housing Revenue Account

- 3.15 The Housing Revenue Account continued to exist until the 18th March 2008, when DCLG consent was given to close the account.
- 3.16 During the year there were a number of transactions relating to subsidy income, mortgage interest and a contribution from the tenants bad debts provision. This meant that £137,000 could be added to the existing balance of £2,187,000.
- 3.17 The overall balance of the Housing Revenue Account was £2,324,000, this has been transferred to the General Fund balance and will be used to offset the residual Housing Revenue Account costs that remain in the General Fund.

The Draft Statement of Accounts

- 3.18 The approval timeframe for the Statement of Accounts is laid out in the Accounts and Audit Regulations 2003. The Regulations require the accounts to be approved by the 30th June each year.
- 3.19 To assist members a short explanation of the main statements is also included as appendix A and this summarises the main issues and points of note included within the Statement of Accounts. The main Accounts are presented as appendix Bi to this report.
- 3.20 It should be noted that the surplus for the year included in the Income and Expenditure Account on page 9 of the Statement of Accounts differs from that reported in the Quarterly Digest for reasons previously explained.

The Annual Governance Statement

- 3.21 The Accounts also include an Annual Governance Statement. It is a requirement of the Accounts and Audit Regulations 2003 that it should be presented to the Council's Executive Committee as part of the Accounts approval process. The statement is a summary of the effectiveness of the Authority's internal controls and of its arrangements for managing risk.

3.22 The statement is informed by: the work of managers within the Council; the annual report and opinion of the Internal Audit Manager, the Risk Manager; and the external auditors in their annual audit letter and other reports.

3.23 The Statement is presented on the agenda as a separate item.

4 Options considered

4.1 None

5 Reasons for Recommendation

5.1 The Accounts and Audit Regulations require formal consideration of the accounts to be presented for External Audit and for the Chairperson of that committee and the Head of Finance to sign them as a true record of the Authority's financial affairs and control.

5.2 Additionally, within the Comprehensive Performance Assessment Use of Resources judgement there is an expectation that members should consider and critically review the accounts of the Council and have a 'robust debate' before they are submitted for External Audit.

6 Resource implications

6.1 The eventual use of General Fund working balances for 2007/08 was £1,104,254 after taking into account approved tolerance requests. This compares with a budgeted use of balances, including tolerances, equal to £1,486,000. Balances are therefore now £382,046 higher than original forecast at the start of the year.

6.2 In November 2007, at the point the budget was set for 2008/09, an eventual under spend of £500,000 was predicted. The difference between the £382,046 actual under spending and the predicted £500,000 will be taken into account when budget planning for 2009/10.

7 Response to Key Aims and Outcomes

7.1 None directly although proper financial reporting and management will help with the delivery of the Authority's Key Aims and Outcomes.

Contact Officer
Background Documents

Tony Skeggs
Statement of Recommended Practice 2008
Accounts and Audit Regulations 2003
Best Value Account Code of Practice
Quarterly Digest – March 2008