

SUBJECT:	Statement of Accounts 2007/08
REPORT OF:	Officer Management Team - Director of Resources Prepared by - Head of Finance & IT

1. Purpose of Report

1.1 The purpose of this report is to:

- represent the 2007/08 Statement of Accounts to Members for review,
- request that the Accounts are re-approved by the Audit Committee and signed in accordance with the Accounts and Audit Regulations.

2. Links to Council Policy Objectives

2.1 Producing financial statements is part of good corporate governance.

3. Background

3.1 Each year the Authority is required to produce a formal Statement of Accounts document in accordance with the Accounts and Audit Regulations. These Accounts must:

- follow the format laid out in the Accounting Code of Practice;
- be approved by Members by 30 June;
- be subject to external audit;
- be made available to the public for inspection; and
- be published by 30 September.

3.2 The 2007/08 Accounts were originally approved by the Audit Committee on 26 June 08. They have been reviewed (but not yet approved) by external audit, and have been made available for public inspection.

3.3 As part of the public inspection process, members of the public have the right to object to the Accounts and an objection was lodged on 17 September 2008 relating to the treatment of the Farnham Park assets.

3.4 The discussion arising from this objection has meant that the 2007/08 Accounts have not yet been signed off by our external auditors and are therefore still open. As the Accounts are still open they can still be amended to take account of the resolution of the Farnham Park assets issue.

4. Farnham Charitable Trust

4.1 The Eton Rural District Council (ERDC) Act 1971 transferred land and buildings at Farnham Park Sport Field (FPSF), and parts of Farnham Park Golf Course (FPGC) to Eton Rural District Council. South Bucks District Council (SBDC) is the successor in title to Eton Rural District Council, under provisions contained in the Local Government Act 1972. The management of these assets is therefore governed by the ERDC Act.

4.2 Prior to the ERDC Act these assets were controlled by the Farnham Park Recreational Trust which was constituted by a conveyance dated 30th December 1946 between United Commercial Association Limited and the Trustees of the Trust.

- 4.3 The ERDC Act obliges SBDC to maintain and manage the transferred land in accordance with the purposes of the original trust (as substantially re-enacted in schedule 4 of the ERDC Act). These assets therefore form a charitable trust, with the Members of SBDC being the sole charity trustees.
- 4.4 Following discussions with the Charity Commission and External Audit, it has now been confirmed that the assets transferred under the Eton Rural District Council Act 1971 need to be treated as a separate Charitable Trust Fund.
- 4.5 As such the Authority now needs to fully comply with the relevant accounting regulations. These state that:
- It is possible to envisage circumstances where disclosure of such activity may be required within the Balance Sheet itself, although it is more likely that the accounts of such trusts would be excluded from consolidation into the authority's own transactions and balances and those of the group. This is on the basis that statutory constraints on control by anyone other than a trustee acting purely as a trustee should not be capable of being overridden in substance.*
- 4.6 All transactions relating to the Farnham Assets have therefore now been excluded from the main SBDC Accounts, and new relevant disclosures notes added.
- 4.7 The Charitable Trust will produce completely separate Accounts just covering its activities, and these are being presented to the Audit Committee at this meeting for approval.

5. Changes to the SBDC Accounts

- 5.1 When making significant changes to Accounts it is the normal practice to restate the Accounts as if the Authority had always accounted for the transactions in the new manner.
- 5.2 Therefore, although the changes are being made in the 2007/08 Accounts, the way this is done is to amend the opening balances as at 1 April 2006 and then rework the 2006/07 and 2007/08 figures. This is so that the prior year comparator figures (ie the 2006/07 figures) are compiled on the same basis as the in year (2007/08) figures.

Explanatory Foreword (Pages 2-6 of the Accounts)

- 5.3 The Explanatory Foreword has been amended to take account of the changes to the accounting statements. In particular reference has been made in the section on 'Significant Factors Affecting the 2007/08 Accounts' to highlight the fact that the Accounts have been adjusted to remove all transactions relating to the Farnham Assets.

Statement of Accounting Policies (Pages 7-13 of the Accounts)

- 5.4 No changes.

Statement of Responsibilities (Page 14 of the Accounts)

- 5.5 No changes.

Income and Expenditure Account (Page 15 of the Accounts)

5.6 The income and expenditure relating to the Farnham Assets has been removed as follows.

	2007/08 Gross Expend £'000	2007/08 Gross Income £'000	2007/08 Net Expend £'000	2006/07 Net Expend £'000
Original Cultural, Environmental & Planning Services figure	10,103	-3,098	7,005	6,367
Less				
Farnham Park Sports Field	256	-29	227	87
Farnham Park Golf Course	514	-479	35	-83
Golf Course Management	192	-69	123	69
Marketing costs relating to Farnham	39	-	39	36
Revised Cultural, Environmental & Planning Services figure	9,102	-2,521	6,581	6,258

Statement of Movement on the General Fund Balance (Page 16 of the Accounts)

5.7 The figures for depreciation and impairment have been amended as follows.

	2007/08 £'000	2006/07 £'000
Original		
- Depreciation and impairment of Intangible fixed assets	352	158
- Depreciation and impairment of Tangible fixed assets	<u>1,537</u>	<u>472</u>
	1,889	630
Less		
Farnham Park Sports Field Depreciation	6	6
Farnham Park Golf Course Depreciation	77	75
Grounds Maintenance Depreciation	22	19
Farnham Park Sports Field Impairment	158	-
Farnham Park Golf Course Impairment	<u>72</u>	<u>-</u>
	335	100
Revised		
- Depreciation and impairment of Intangible fixed assets	342	150
- Depreciation and impairment of Tangible fixed assets	<u>1,212</u>	<u>380</u>
	1,554	530

Statement of Total Recognised Gains and Losses (STRGL) (Page 17 of the Accounts)

5.8 The income and expenditure account figure has been amended in line with the changes to the income and expenditure account.

5.9 In addition the surplus arising on the revaluation of fixed assets has reduced from £2,638,000 to £2,570,000 to exclude the 2007/08 valuation gain on the Farnham Building of £68,000.

Balance Sheet (Page 18 of the Accounts)

5.10 The Balance sheet has been adjusted as follows:

	At 31 March 2008 £'000	At 31 March 2007 £'000
Intangible Fixed Assets		
Original figure	613	782
Less Farnham Intangible Assets	<u>5</u>	<u>16</u>
Revised figure	608	766
Tangible Fixed Assets		
Original figure	13,262	12,339
Less Farnham Tangible Assets	<u>1,909</u>	<u>2,116</u>
Revised figure	11,353	10,223
Stock		
Original figure	52	53
Less Farnham Stock	<u>49</u>	<u>43</u>
Revised figure	3	10
Debtors		
Original figure	4,161	5,788
Less Farnham Debtors	<u>8</u>	<u>5</u>
Revised figure	4,153	5,783
Cash and Bank		
Original figure	3,647	3,037
Less Farnham Cash and Bank	<u>981</u>	<u>1,123</u>
Revised figure	2,666	1,914
Creditors		
Original figure	3,679	3,453
Less Farnham Creditors	<u>8</u>	<u>3</u>
Revised figure	3,671	3,450
Capital Adjustment Account		
Original figure	11,097	12,758
Less adjustment for Farnham Assets	<u>1,847</u>	<u>2,131</u>
Revised figure	9,250	10,627
Revaluation Reserve		
Original figure	2,346	0
Less Farnham Assets	<u>67</u>	<u>0</u>
Revised figure	2,279	0
Usable Capital Receipts Reserve		
Original figure	22,014	22,375
Less accumulated balance transferred to Farnham *	<u>554</u>	<u>604</u>
Revised figure	21,460	21,771
General Fund Reserve		
Original figure	2,831	2,390
Less accumulated balance transferred to Farnham *	<u>476</u>	<u>565</u>
Revised figure	2,355	1,825

* Since 1971 when the Farnham assets were transferred under the Eton Rural District Council Act the Farnham assets have made an overall profit. This accumulated profit has to be removed from the SBDC Accounts and transferred to the Charitable Trust. The total as at 31 March 2008 (£1,030,000) agrees to the figure quoted in the report to Cabinet dated 25 November 2008.

Cash Flow Statement (Page 19 of the Accounts)

- 5.11 The Cashflow Statement has similarly been adjusted to remove the Farnham transactions.

Notes to the Financial Statements (Pages 20-39 of the Accounts)

- 5.12 The notes to the Accounts have been adjusted to reflect the above changes. In particular note 22 on page 36 has been amended to reflect the new accounting arrangements for the Farnham charity.

Collection Fund (Pages 40-41 of the Accounts)

- 5.13 No changes.

Annual Governance Statement (Pages 42-44 of the Accounts)

- 5.14 No changes.

6. Formal Approval of Accounts

- 6.1 The Accounts & Audit Regulations require the Chairman of the Committee receiving the Accounts to sign and date these to formally represent the completion of the Authority's approval process.
- 6.2 Given the substantive changes made to the accounts it is appropriate for these to be put before members to re-approve.
- 6.3 The Chairman of the Audit Committee is therefore requested to sign the declaration on page 14 of the Statement once Members have considered this report and reapproved the Accounts.

7. Resource, Risk and Other Implications

- 7.1 There are no direct financial, legal or human resource implications from this report. However the level of revenue reserves and capital receipts has a significant impact on the affordability of the Council's future plans. The removal of balances relating to the Farnham Charity has reduced the main SBDC reserves but correspondingly increased the Farnham Charity reserves.

8. Recommendations

- 8.1 The Accounts are reapproved by the Audit Committee and signed by the chair of the Audit Committee to signify the completion of the Authority's approval process.

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Background Papers:	

CHECKLIST BOX - for draft report only		
Referred to Finance	N/A	Report written by Finance
Comments received	N/A	
Comments incorporated	N/A	
Report agreed	N/A	
Referred to Legal/Democratic Services	Yes/No	Date:
Comments received	Yes/No	
Comments incorporated	Yes/No	
Report agreed	Yes/No	