

8. 2006/07 Annual Statement of Accounts

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1. Purpose of the Report

To present the 2006/07 Annual Statement of Accounts to the Audit Committee for approval.

2. Recommendation

To approve the 2006/07 draft Statement of Accounts. A copy of the draft Statement of Accounts has been circulated separately with this agenda.

3. Background

- 3.1 As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. One of the principles is accountability and preparing and publishing the annual Statement of Accounts is one way that the Council achieves this objective.
- 3.2 The Accounts and Audit Regulations (England) 2003 came into force on 1 April 2003. Members are required to formally approve the annual Statement of Accounts by the 30th June 2007. The Statement of Accounts needs to be evidenced by the Chair of this committee signing and dating the balance sheet. As this deadline is statutory it is extremely important that the accounts are approved at this meeting. Please contact Andy Weston before the meeting on 01935 462542 with any questions on the information presented.
- 3.3 This report:
- Outlines the key features of the 2006/07 revenue outturn position;
 - Summarises the 2006/07 capital outturn position;
 - Presents the 2006/07 Statement of Accounts and explains the key features and reasons for variations within those accounts.

4. Key Features of the 2006/07 Outturn Reports

4.1 Revenue Outturn

- 4.1.1 The figures that were presented to District Executive on 7th June 2007 represent the “Above the Line” budgets that are monitored by the Executive on a quarterly basis. Members of the Audit Committee will find that the figures presented to them in the Statement of Accounts differ from those reported to District Executive as they represent both “Above” and “Below the Line” as a total cost. The “Below the Line” figures are distinguished from the “Above the Line” costs as they are outside the control of the delegated budget holder, being capital charges and recharges from support services such as Human Resources, Legal and Financial Services.

4.1.2 The overall outturn for SSDC Services, excluding the LSP, in 2006/07 was £213,100 under spent. Outlined below is the summary of the figures presented to the District Executive on the 7th June;

	Original Budget £'000	Movement During the Year £'000	Outturn Budget £'000	Actual Spend £'000	Variation £'000	
Strategic Management	1,167.5	(422.7)	744.8	681.6	(63.2)	F
Financial Services	(772.5)	7.2	(765.3)	(965.7)	(200.4)	F
Legal Services	919.7	(47.7)	872.0	783.1	(88.9)	F
Human Resources	476.0	168.0	644.0	552.7	(91.3)	F
Communications	260.6	(57.0)	203.6	164.8	(38.8)	F
Policy & Performance	114.4	95.1	209.5	193.1	(16.4)	F
Scrutiny	40.3	0	40.3	37.5	(2.8)	F
Procurement	232.5	19.5	252.0	316.8	64.8	A
Customer Services	744.7	(2.7)	742.0	688.6	(53.4)	F
E Government & Technology	1,447.9	41.0	1,488.9	1,433.2	(55.7)	F
Development & Building Control	538.9	242.9	781.8	838.2	56.4	A
Economic Development, Planning & Transport	1,548.9	20.5	1,569.4	2,021.2	451.8	A
Revenues & Benefits	407.0	(9.4)	397.6	247.0	(150.6)	F
Countryside, Tourism & Heritage	702.4	37.1	739.5	736.0	(3.5)	F
Environmental Health & Community Protection	1,031.8	147.6	1,179.4	1,076.9	(102.5)	F
Housing & Welfare	1,142.6	42.7	1,185.3	1,307.0	121.7	A
Sport, Art & Leisure	1,226.7	(29.7)	1,197.0	1,274.5	77.5	A
Engineering & Property	209.1	266.8	475.9	441.6	(34.3)	F
Streetscene	1,634.8	(62.3)	1,572.5	1,550.0	(22.5)	F
Waste & Recycling	2,829.6	461.3	3,290.9	3,354.8	63.9	A
Area East	623.4	104.2	727.6	681.5	(46.1)	F
Area North	359.9	(47.4)	312.5	307.8	(4.7)	F
Area South	496.9	(52.4)	444.5	372.1	(72.4)	F
Area West	417.1	(40.7)	376.4	374.7	(1.7)	F
Total	17,800.2	881.9	18,682.1	18,469.0	(213.1)	F
LSP	43.2	180.0	223.2	54.7	(168.5)	F

	Original Budget £'000	Movement During the Year £'000	Outturn Budget £'000	Actual Spend £'000	Variation £'000	
Total all Spend	17,843.2	1,061.9	18,905.3	18,523.7	(381.6)	F

(Note that all figures in brackets are underspends).

4.1.3 The comparative underspend position over the last two years was 0.8% in 2006/07 and 1.8% in 2005/06. (This is after taking out the figures for Treasury Management and the Local Strategic Partnership to ease comparison).

4.2 Carry Forwards

4.2.1 The District Executive was asked to approve £425,510 of specific carry forwards to 2007/08. This includes £168,460 for the LSP and £257,050 for SSDC services.

4.3 Revenue Balances and Reserves

4.3.1 Unallocated general fund balances totalled £1,589,000 at the end of the 2006-07 financial year. A review of balances was carried out during 2006-07 and the minimum level of reserves was deemed to be £1,541,000 therefore, the review shows that SSDC currently has sufficient balances to cover the major areas of financial risk.

4.3.2 Specific Reserves totalled £2,841,000 at the end of the financial year. These reserves are actual cash sums set-aside for specific purposes.

4.4 Capital Outturn Report

4.4.1 The capital programme spend for 2006/07 was £4,511,000, (£4,611,000 including corporate bond purchases) which equates to a 21.7% underspend. This compares to a 22.3% underspend in 2005/06.

4.4.2 There were no significant capital overspends in 2006/07.

5. Loans

5.1 SSDC has a loans policy where loans may be given at PWLB rates to local voluntary and charitable organisations. The maximum outstanding sum of those loans must not exceed £1,000,000 at any time. At the end of 2006/07 the amount of loans outstanding under this policy was £652,579.

6. Statement of Accounts

6.1 The District Auditor will review the annual Statement of Accounts and supporting working papers and will issue his opinion as to whether they present fairly the financial position of South Somerset District Council at 31 March 2007 and its income and expenditure for the year then ended.

6.2 A copy of the draft Statement of Accounts has been circulated separately with this agenda. In addition to this, a summary of the statements will be prepared in leaflet format to make them more accessible to the end user.

7. Key Features from the Statement of Accounts

7.1 The Statement of Accounts contains five core statements reflecting the financial position of SSDC as at the 31st March 2007. These are;

- Income and Expenditure Account
- Statement of Movement in the General Fund Balance
- Statement of Total Recognised Gains and Losses
- Balance Sheet
- Cash Flow Statement

7.2 In addition, there are statements relating to the Collection Fund, and SSDC is required to produce group accounts due to our joint venture, Lufton 2000, with Abbey Manor Developments.

7.3 The core financial statements have changed significantly from previous years as the Statement of Recommended Practice (SORP) has been amended to bring Local Authority Statements of Account into line with private sector accounting requirements. Training on the content and the interpretation of the statements of accounts for members of the Audit Committee has been provided by the Head of Finance and the Senior Accountant.

7.4 Each statement is supported by notes that give the reader more detail about specific figures within that key statement. Outlined below within the Income and Expenditure Account members will see how the net expenditure reported to the Executive Committee links to the Income and Expenditure account. In addition to this I have outlined the significant year on year variations within those key statements and the reasons for them.

8. Income and Expenditure Account

8.1 This account gives detailed information about the total expenditure on the services we provide. It also shows the council tax and government grants received to help pay for those services. The net operating expenditure figure is reconciled to the outturn spend position outlined to District Executive in the following way:

	£'000
Net Operating Expenditure (taken from the Income and Expenditure Account, page 20 of the financial statements)	23,461
Adjustments:	
Parish Precepts	(2,841)
Reconciling figure from the Statement of Movement in General Fund balances (page 27 of the financial statements)	(1,846)
LABGI grant (included in Central Government Grants)	(250)
Total Spend Reported to the District Executive	18,524

8.2 The major year on year variations and explanations for those variances are outlined below:

Services	Previous Year £'000	2006/07 £'000	Variance £'000	Reason for Variance
Highways, Waste & Transport	(452)	409	861	Variance is due to the increased cost of concessionary travel (£962k).
Non Distributed Costs	1,111	315	(796)	Costs have reduced in 2006-07 mainly because of the once-off service pension costs that arose from the Council's previous staff re-structure.
Cultural, Environmental and Planning Services	17,729	17,042	(687)	Variance is -3.9%. Reduction in deferred charges of £1m, which are charged to revenue before being reversed out.

Note that figures in brackets are underspends compared to the previous year spend.

9. The Balance Sheet

9.1 The Balance Sheet provides the Council with a snapshot of our financial position overall as at the 31st March 2007. The major variations and the reason for those variations are shown below:

Balance Sheet Heading	Previous Year £'000	2006/07 £'000	Variance £'000	Reason for Variance
Land & Buildings	27,338	33,569	6,231	There were no acquisitions or disposals in the year, the increase in value is entirely attributable to

Balance Sheet Heading	Previous Year £'000	2006/07 £'000	Variance £'000	Reason for Variance
				the revaluation of assets.
Investment Properties	2,207	3,262	1,055	Reclassification of assets to this category and the revaluation of investment properties has increased the value of assets by £1,055k.
Assets Under Construction	165	2,595	2,430	The increase reflects the purchase of the site for the Yeovil Innovation Centre.
Long-term Investments	12,352	17,002	4,650	Additional funds were placed in long-term investments to increase our exposure to fixed rate returns.
Debtors (current assets)	8,435	5,780	(2,655)	Accrued interest earned on investments placed with our external fund manager were realised during 2006-07, reducing the debtors by £2m.
Creditors	(6,588)	(8,421)	(1,833)	Receipts in advance have increased by £2.5m, due principally to RNAS Yeovilton paying their NDR bill for 2007-08 in full in 2006-07 and the receipt of a £900k grant for gypsy site repairs. Other significant changes include government creditors reducing by £480k.
Long term borrowing	0	2,000	2,000	Reflects the first borrowing SSDC has undertaken for approximately 8 years.
Government Grants Deferred	(2,996)	(5,337)	(2,341)	The increase is due to the external contribution towards the purchase of the site for the Yeovil Innovation Centre.
Fixed Asset Restatement Account	(40,922)	(33,835)	7,087	Variance is due primarily to the revaluation of our fixed assets.
Useable Capital Receipts	43,148	38,932	(4,216)	Movement relates to the receipts used to finance capital expenditure less new capital receipts.
Earmarked Reserves	1,714	2,841	1,127	Reserves have increased following the agreement with the Joint Burial Committee to realise SSDC's element of the Crematorium reserve in exchange for financing their capital programme (£530k), other material increases include the receipt of the LABGI grant £249k,

Balance Sheet Heading	Previous Year £'000	2006/07 £'000	Variance £'000	Reason for Variance
				the creation of a car park VAT reserve and Yeovil Vision reserve with contributions of £170k and £150 respectively.

Note that figures in brackets in the first two columns are liabilities to the Council, and in the final column brackets represent a fall in investments and/or income or an increase in liabilities.

9.2 In addition, Members will note the Contingent liabilities disclosed in note 33. Contingent liabilities are possible future obligations, they are not accounted for within the balance sheet as the obligation will only be confirmed if uncertain events happen in the future. Any claims would need to be funded from SSDC balances.

10. Cash Flow Statement

10.1 This statement outlines all of the cash transactions that have taken place in the year. The major variations are shown below:

Heading	Previous Year £'000	2006/07 £'000	Variance £'000	Reason for Variance
National non domestic rate (NNDR) payments to the national pool	27,575	32,079	4,504	The total cash flows in 2005-06 were reduced as SSDC had over contributed to the pool in 2004-05, meaning our payments were reduced in 2005-06 by £1m. In 2005-06 SSDC under contributed to the pool, a £1.4m settlement was made during 2006-07 to compensate.
Precepts paid	64,444	68,288	3,844	Overall the average council tax bill increased by 4.8%, however Somerset County Council's precept, which represents 75% of the total precepts paid, increased by 6% or £3.27m
Council tax receipts	(64,376)	(68,575)	(4,199)	Receipts increased by 6.5%. The average council tax bill excluding parishes increased by 4.8%. Collection rates also increased from 97.35% in 2005-06 to 97.67%.
NNDR receipts	(30,261)	(33,531)	(3,270)	Prepayments have increased by £1.5m as a result of the MOD paying the rates for RNAS Yeovilton for 2007-08 during 2006-07.
Interest received	(1,963)	(4,583)	(2,620)	Interest accrued by our external fund manager since 2002-03 of £2.7m was realised during 2006-07.

Capital grants received	(1,800)	(4,869)	(3,069)	Significant external financing includes £2.5m for the Yeovil Innovation Centre and £900k for gypsy site repairs.
New loans raised	0	(2,000)	(2,000)	Reflects Council's decision to borrow to finance future capital expenditure.

Note that figures in brackets in the first two columns represent income, and in the last column represent an increase in income or a reduction in liabilities.

11. Collection Fund

11.1 The Collection Fund shows the total SSDC has collected on behalf of all of the precepting authorities (e.g. Somerset County Council, Avon & Somerset Police Authority and town/parish councils). It also shows the amounts distributed to those authorities. The major variations are shown on the following page:

Heading	Previous Year £'000	2006/07 £'000	Variance £'000	Reason for Variance
Income from Council Tax	(64,707)	(68,662)	(3,955)	Average council tax bills, excluding parish precepts, increased by 4.8%, the tax base itself grew by 1% and collection rates increased from 97.35% to 97.67%.
Income collectable from business ratepayers	(30,261)	(32,030)	(1,769)	The amount collectable measured by the total rateable value multiplied by the multiplier has increased by £597,600. The reduction in transitional phasing relating to the second year of the rating list increased the total collectable by £1,000,000.
Precept - Somerset County Council	53,838	57,109	3,271	Although SCC's precept increased by 6.1%, the increase in the council tax base (the number of dwellings charged council tax) meant that the increase for a band D property was only 5%.

Note that figures in brackets in the first two columns represent income, and in the last column represent an increase in income or a reduction in liabilities.

12. Financial Implications

12.1 There are no financial implications associated with these recommendations.

Background Papers: *Revenue outturn 2006/07*
Capital outturn 2006/07
