

Audit Committee – 26th June 2008

## 6. 2007/08 Annual Statement of Accounts

*Head of Service:* Donna Parham, Head of Finance  
*Lead Officer:* Richard Holwill, Temporary Accountant  
*Contact Details:* richard.holwill@southsomerset.gov.uk or (01935) 462542

### 1. Purpose of the Report

To present the 2007/08 Annual Statement of Accounts to the Audit Committee for approval.

### 2. Recommendation

To approve the 2007/08 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 30<sup>th</sup> June 2008. 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 Richard Holwill before the meeting on 01935 462542 with any questions on the information presented.

3.3 This report:

- Outlines the key features of the 2007/08 revenue outturn position;
- Summarises the 2007/08 capital outturn position;
- Presents the 2007/08 Statement of Accounts and explains the key features and reasons for variations within those accounts.

### 4. Key Features of the 2007/08 Outturn Reports

#### 4.1 Revenue Outturn

4.1.1 The figures that were presented to District Executive on 5<sup>th</sup> June 2008 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 2007/08 was £292,700 under spent. Outlined overleaf is the summary of the figures presented to the District Executive on 5th June;

# AC

	Original Budget £'000	Movement During the Year £'000	Outturn Budget £'000	Actual Spend £'000	Variation £'000	
Strategic Management	1,022.0	(58.9)	963.1	894.0	(69.1)	F
Financial Services	(913.9)	372.9	(541.0)	(712.1)	(171.1)	F
Legal Services	931.3	(5.6)	925.7	882.3	(43.4)	F
Human Resources	1,046.7	67.1	1,113.8	1,031.4	(82.4)	F
Communications	182.0	(17.0)	165.0	152.3	(12.7)	F
Policy & Performance	123.9	(0.7)	123.2	103.0	(20.2)	F
Scrutiny	42.8	(13.5)	29.3	21.7	(7.6)	F
Procurement	271.9	(2.4)	269.5	271.0	1.5	A
Customer Services	614.6	(11.6)	603.0	602.9	(0.1)	F
E Government & Technology	1,454.4	(8.0)	1,446.4	1,335.3	(111.1)	F
Development & Building Control	760.8	(34.1)	726.7	778.5	51.8	A
Economic Development, Planning & Transport	1,588.4	359.2	1,947.6	2,325.9	378.3	A
Revenues & Benefits	412.7	(6.7)	406.0	286.1	(119.9)	F
Countryside, Tourism & Heritage	731.8	7.4	739.2	733.2	(6.0)	F
Environmental Health & Community Protection	1,193.7	20.7	1,214.4	1,173.1	(41.3)	F
Housing & Welfare	1,063.5	38.2	1,101.7	1,226.7	125.0	A
Sport, Art & Leisure	1,241.9	19.7	1,261.6	1,283.0	21.4	A
Engineering & Property	102.5	(36.3)	66.2	24.5	(41.7)	F
Streetscene	1,631.2	(2.1)	1,629.1	1,623.3	(5.8)	F
Waste & Recycling	3,230.6	(14.1)	3,216.5	3,235.1	18.6	A
Area East	654.0	84.8	738.8	656.7	(82.1)	F
Area North	358.2	8.1	366.3	331.4	(34.9)	F
Area South	481.6	0.5	482.1	450.1	(32.0)	F
Area West	483.6	53.4	537.0	529.1	(7.9)	F
	<b>18,710.2</b>	<b>821.0</b>	<b>19,531.2</b>	<b>19,238.5</b>	<b>(292.7)</b>	<b>F</b>
LSP	43.4	168.5	211.9	56.5	(155.4)	F
<b>Total all Spend</b>	<b>18,753.6</b>	<b>989.5</b>	<b>19,743.1</b>	<b>19,295.0</b>	<b>(448.1)</b>	<b>F</b>

(Note that all figures in brackets are underspends).

4.1.3 The comparative underspend position over the last two years was 0.7% in 2007/08 and 0.8% in 2006/07. (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 £410,200 of specific carry forwards to 2008/09. This includes £155,420 for the LSP and £254,780 for SSDC services.

## **4.3 Revenue Balances and Reserves**

4.3.1 Unallocated general fund balances totalled £1,687,000 at the end of the 2007/08 financial year. A review of balances was carried out during 2007/08 and the minimum level of reserves was deemed to be £1,491,000 therefore, the review shows that SSDC currently has sufficient balances to cover the major areas of financial risk.

4.3.2 Specific Reserves totalled £3,931,000 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 2007/08 was £5,080,000, which equates to a 19.4% underspend. This compares to a 21.7% underspend in 2006/07.

4.4.2 There were no significant capital overspends in 2007/08.

## **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 2007/08 the amount of loans outstanding under this policy was £585,465.

## **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 2008 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 31<sup>st</sup> March 2008. 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 There are additional statements relating to the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates) and the Group Accounts (which SSDC is required to produce in respect of the joint venture, Lufton 2000, with Abbey Manor Developments).

7.3 The format of the core financial statements is unchanged from last year when it changed significantly in line with the 2006 Statement of Recommended Practice (SORP). The 2007 SORP has introduced some technical changes relating to the accounting treatment of financial instruments and the revaluation reserve but the overall effect of these changes is not significant.

7.4 The core financial statements are supported by notes that give the reader more detail about specific figures within the statements.

7.5 Significant year on year variations within the core financial statements, and the reasons for them, are outlined in the following paragraphs.

## 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:

	<b>£'000</b>
<b>Total Spend Reported to the District Executive (as Paragraph 4.1.2)</b>	<b>19,295</b>
Adjustments:	
Parish Precepts	3,031
Items subsequently reversed in the Statement of Movement in General Fund balances (page 21 of the financial statements)	4,634
LABGI grant (included in Central Government Grants)	357
<b>Net Operating Expenditure (taken from the Income and Expenditure Account, page 20 of the financial statements)</b>	<b>27,517</b>

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

<b>Services</b>	<b>Previous Year 2006/07 £'000</b>	<b>Current Year 2007/08 £'000</b>	<b>Variance £'000</b>	<b>Reason for Variance</b>
Central Services	803	1,891	1,088	Increase in deferred charges (which are charged to revenue before being reversed out) of £1.2m.
Cultural, Environmental and Planning Services	17,042	15,469	(1,573)	Decrease in capital charges (which are charged to revenue before being reversed out) of £0.8m plus increased income of £0.4m from Environmental Health and Horticultural Maintenance.

	Previous Year 2006/07 £'000	Current Year 2007/08 £'000	Variance £'000	Reason for Variance
<b>Services</b>				
Housing Services	3,433	4,815	1,382	Increase in deferred charges (which are charged to revenue before being reversed out) of £1.2m.
Loss on Disposal of Fixed Assets	0	2,026	2,026	Net book value of assets transferred to Waste Partnership at nil value

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 31<sup>st</sup> March 2008. The major variations and the reason for those variations are shown below:

Balance Sheet Heading	Previous Year 2006/07 £'000	Current Year 2007/08 £'000	Variance £'000	Reason for Variance
<b>NET ASSETS</b>				
Total Fixed Assets	44,367	45,843	1,476	Value has increased by additions of £3.5m (including £1.8m for Boden Mill), and revaluations of £3.7m. This is offset by decreases of £4.4m for disposals and £1.4m for depreciation and impairment.
Current Assets - Debtors	5,780	7,672	1,892	Government debtors have increased by £1.9m (including £0.9m in respect of the NNDR pool which was a creditor in 2007)
Current Assets - Investments	28,807	24,513	(4,294)	Investments of £6.3m have been realised to finance the authority's net cash outflow. This is reduced by £2m reclassified from Long Term Investments.
Current Liabilities - Creditors	(8,421)	(6,177)	2,244	Receipts in advance have decreased by a net £1.5m (NNDR receipts £2.1m less an increase in grants in advance of £0.6m) and government creditors by £1.2m (in respect of the NNDR Pool which is a debtor in 2008). Sundry creditors have increased by £0.5m.
Government Grants Deferred	(5,337)	(6,446)	(1,109)	Additional grants received of £2.2m (including £1.8m for Boden Mill) reduced by £1.1 m released to revenue.

Note that figures in brackets in the first two columns are liabilities to the Council, and in the final column brackets represent a reduction in assets or an increase in liabilities.

## AC

NET WORTH				
Revaluation Reserve	0	2,608	2,608	The revaluation surplus of £3.7m is reduced by £1.1m which is the part of the book value of disposals which have been subject to revaluation.
Capital Adjustment Account	34,779	28,286	(6,493)	Balance is reduced by £11.9m (comprising £3.4m for revenue charges, £3.3m for book value of disposals and 4.2m re Corporate Bonds) less £4.5m applied to finance capital expenditure.
Useable Capital Receipts	38,932	41,951	3,019	Balance is increased by capital receipts of £7.5m (including £4.2m re Corporate Bonds) less £4.5m applied to finance capital expenditure.
Earmarked Reserves	2,841	3,931	1,090	Major increases are to Capital Reserve (£175K), Crematorium Reserve (£239K), Car Park VAT Reserve (£309K) and Voluntary Redundancy/Retirement Fund (£399K).

Note that figures in brackets in the final column represent a reduction in reserves.

9.2 In addition, Members will note the Contingent liabilities disclosed in **note 38**. 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 2006/07 £'000	Current Year 2007/08 £'000	Variance £'000	Reason for Variance
Revenue Cash Outflows	161,705	171,441	9,736	The increase is inflated by the £2.1m swing in respect of the NNDR Pool (see references to Debtors and Creditors on the Balance Sheet). The remaining increase of £7.6m relates to the impact of inflation.
Revenue Cash Inflows	(160,795)	(164,846)	(4,051)	The reduction in receipts in advance on NNDR receipts has decreased the increase in inflows by £2.1m. But for this the increase would have been £6.2m, which reflects the impact of inflation.

<b>Heading</b>	<b>Previous Year 2006/07 £'000</b>	<b>Current Year 2007/08 £'000</b>	<b>Variance £'000</b>	<b>Reason for Variance</b>
Net Cash Inflow from Servicing of Finance	(4,535)	(2,574)	1,961	The cash inflow for 2006/07 was inflated by the realisation of a £2.7m interest receivable debtor from the previous fund manager.
Net Cash Outflow from Capital Activities	5,777	3,015	(2,762)	Cash Inflows have increased by £2.8m, of which £2m relates to the sale of a Long Term Investment.
Net decrease in Short Term Investments	(798)	(6,294)	(5,496)	Short Term Investments of £6.3m were realised in 2007/08 to finance the net cash outflow. The 2006/07 outflow was substantially financed by additional borrowing.
New loans raised	(2,000)	0	2,000	Additional borrowing of £2m was incurred in 2006/07.

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

## 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, Devon & Somerset Fire & Rescue Authority and town/parish councils). It also shows the amounts distributed to those authorities. The major variations are shown below:

<b>Heading</b>	<b>Previous Year 2006/07 £'000</b>	<b>Current Year 2007/08 £'000</b>	<b>Variance £'000</b>	<b>Reason for Variance</b>
Income from Council Taxpayers	(68,662)	(72,377)	(3,715)	Average council tax bills increased by 4.1% and the tax base itself grew by 1.4%
Precept – Devon & Somerset Fire & Rescue Authority	0	3,727	3,727	In 2006/07 the Fire Authority precept was levied by Somerset County Council

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 expenditure.

## 12. Financial Implications

12.1 There are no financial implications associated with these recommendations.

**Background Papers:** *Revenue outturn 2007/08*  
*Capital outturn 2007/08*