

## **BRECKLAND COUNCIL**

### **Report of the Assistant Director Governance and the Chief Accountant to Breckland Council – 30<sup>th</sup> June 2008**

#### **Draft Statements of Accounts 2007/08**

##### **1. Purpose of Report**

- 1.1 To present the draft statements of accounts to Council in accordance with the Accounts and Audit Regulation.

##### **2. Recommendations**

- It is recommended that the Council:
- 2.1 Approve the draft statements of accounts
  - 2.2 Approve the Annual Governance Statement
  - 2.3 Note the matters highlighted in section 3 of the report

**Note:** In preparing this report, due regard has been had to equality of opportunity, human rights, prevention of crime and disorder, environmental and risk management considerations as appropriate. Relevant officers have been consulted in relation to any legal, financial or human resources implications and comments received are reflected in the report.

##### **3. Information, Issues and Options**

###### **3.1 Background**

- 3.1.1 Regulation 10 of the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment)(England) Regulations 2006) requires that the accounts be approved by a committee of the Council prior to 30 June 2008.
- 3.1.2 The Audit Committee has reviewed the statements of accounts, but under the constitution the power to approve the accounts rests with Council. However Council could consider whether it wants to delegate the power to approve the statements to Audit Committee in future years.
- 3.1.3 The Statement of Governance was considered by Audit Committee at its meeting on 11<sup>th</sup> June 2008. Committee recommended to Council approval of the statement.
- 3.1.4 The draft statements of accounts (Appendix A attached) have been produced in accordance with proper practices issued by The Chartered Institute of Public Finance and Accountancy (CIPFA) in its Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP).
- 3.1.5 Statements of accounts have to be signed and dated by the responsible financial officer in accordance with the regulations prior to approval by Council, and by the Chairman of the Council after approval.
- 3.1.6 Page 1 of the draft Statements of Accounts gives a brief explanation of each statement.
- 3.1.7 The audit of the Statements of Accounts is due to start soon. It is a requirement that the auditors issue their certificate and opinion before the accounts, in their final version, can be published. The publishing deadline for 2007/08 accounts is 30 September 2008.
- 3.1.8 There have been a number of changes to the SORP again this year as the SORP is brought further in line with United Kingdom Generally Accepted Accounting Principles. Primarily these focus on the accounting treatment of fixed assets, with the revaluation reserve and capital adjustment account replacing the fixed assets restatement account and the capital financing account. Where properties have been

revalued during the year, accounting entries have been made to the revaluation reserve where values have increased, and an impairment charge to the service where values have decreased. Impairments are reversed out of the general fund so that there is no impact on the council tax. Adjustment of previous year comparatives, to reflect the changes, is not required by the SORP. Further significant changes will occur in future years as the SORP is brought into line with International Financial Reporting Standards.

### 3.2 Issues

- 3.2.1 **Income and Expenditure Account (page 11 of the accounts)** – This account shows the outturn revenue costs and a comparison with the prior year. Although the General Fund shows an initial deficit for 2007/2008, compensating adjustments required by the SORP mean that we are carrying forward a balance of £4.8m, an increase of £902k over the previous year. The use of this balance will be considered when the Medium Term Financial Strategy is put to Council later in the year in preparation for setting next year's budget and future spending plans. Investment income from cash deposits amounted to £2.1m, an increase of £87,000 over the previous year, and £188,000 over budget.
- 3.2.2 **The Balance Sheet (page 13)** - The balance sheet shows an increase in value of £8.9m to £86.9m. The value of Fixed Assets increased by £3.5m mainly resulting from revaluation of assets. Capital receipts included a receipt of £2.5m for overage at the Dereham High Street development, as the developer had leased the remaining units, triggering this payment to the Council. The pension fund liability also reduced significantly by £3.3m over the previous year, with the changes in the financial assumptions made by the actuary more than compensating for the reduction in the schemes equity values.
- 3.2.3 Overall investment in approved instruments amounted to £40m as at 31<sup>st</sup> March 2008, an increase of £4m over the previous year.
- 3.2.4 **Earmarked Reserves (page 32)** - The total earmarked reserves have been reduced by £538,000 to £8.0m. Descriptions of all earmarked reserves are contained in the notes to the accounts. A number of reserves which have not been used have been consolidated into the Organisational Development Reserve to allow reallocation to new Business Plan priorities through the Star Chamber process.
- 3.2.5 **The Commercial Property Trading Account (page 38)** – Commercial Property performance continued to improve over the previous year, with the service returning a net surplus of £1.6m (£2.1m once the effects of property impairments are taken into account). The balance of the Commercial Property Reserve at the end of the year stood at £2.4m, after the trading surplus was paid in, and support for the General Fund and other service priorities, amounting to £2.9m, was transferred out.
- 3.2.6 **The Annual Governance Statement (page 41)** – This statement has replaced the Statement on Internal Control (SIC) that Council has been used to receiving in previous years. This statement covers a much wider scope than the SIC, encompassing the governance arrangements of the authority and partnerships that the council is involved with. The statement and evidence of self-assessment (including reports of the Internal Audit Manager covering the risk and control environment within the authority) have been considered by Audit Committee at their meeting on 11th June 2008. They have made a recommendation to Council to accept the statement. Regulations require that the statement is signed off by the authority's Leader and the Chief Executive, and that it is considered and approved separately to the statements of accounts. Should the internal control environment change in between the accounts being prepared and being published the Annual Governance Statement should reflect these changes.

### 3.3 Options

- 3.3.1 To approve the statements of accounts and the Annual Governance Statement.

3.3.2 Not to approve the statements of accounts and the Annual Governance Statement.

3.4 Reasons for Recommendations

3.4.1 To approve the draft statements of accounts and the Annual Governance Statement in order to comply with the Accounts and Audit Regulation 2003.

**4. Risk and Financial Implications**

4.1 Risk

4.1.1 I have completed a risk management assessment in accordance with the Council's Risk Management methodology, and while there are no additional risks there is a risk that any material error in the accounts will affect the Council's Use of Resources score. This is mitigated by ensuring that staff who prepare and verify the statement of accounts have suitable qualifications and experience, and that they receive training to apply the correct accounting treatment and understand the reporting requirements of the SORP.

4.2 Financial

4.2.1 The financial implications are highlighted in the report and the statements of accounts.

**5. Legal Implications**

5.1 None

**6. Other Implications**

- a) Equalities: No Equalities Impact Assessment been conducted, as the nature of the report is one of a regulatory nature, covering all services and activities of the Council.
- b) Section 17, Crime & Disorder Act 1998: None
- c) Section 40, Natural Environment & Rural Communities Act 2006: None
- d) Human Resources: None
- e) Human Rights: None
- f) Other: None

**7. Alignment to Council Priorities**

7.1 All council services and priorities are covered by the scope of the financial statements, although financial reporting and public accountability primarily fit within the Entrepreneurial Council priority.

**8. Ward/Community Affected**

8.1 None

Background Papers

*The Annual Governance Statement – Audit Committee 11<sup>th</sup> June 2008*

Lead Contact Officer:

*Name/Post: Mark Finch, Chief Accountant*

*Telephone: 01362 656845 - Email: mark.finch@breckland.gov.uk*

Key Decision Status (Executive Decisions only):

*This is a Key Decision identified on the Forward Plan*

Appendices attached to this report:

*Appendix A - The Draft Statements of Accounts 2007/08*

*Appendix B – Major variances in the net cost of services between 2006/07 and 2007/08*