



Report to:	Council
Date of Meeting:	28 June 2007
Report from:	Director of Resources
Title of Report:	Member Approval of the Statement of Accounts for 2006/2007
Agenda Item Number:	14

1. PURPOSE OF REPORT

- 1.1 The Accounts and Audit Regulations 2003 require Members to approve the 2006/07 Statement of Accounts before the end of June 2007. This report seeks approval for the 2006/07 Statement of Accounts attached as Appendix 1.
- 1.2 The Accounts have not yet been audited; this is scheduled for August. The outcome of the audit will be reported to Council.

2. CONSULTATION

- 2.1 Corporate Management Team has been consulted on the report and on the Statement of Internal Control.

The Corporate Governance Steering Group, which comprises the Assistant Chief Executive, Director of Resources, Risk and Financial Services Manager, Chief Internal Auditor and Legal and Democratic Services Manager, has been fully involved in the production of the Statement of Internal Control and all Service Team Managers have signed off their individual assurance statements.

3. CORPORATE PLAN AND PRIORITIES

- 3.1 The report is wholly concerned with finance, which provides the means by which the Council achieves its corporate priorities.

4. IMPLICATIONS

- 4.1 Financial and Value for Money

Financial implications are detailed throughout the report.

4.2 Legal

The report meets the requirements of the Accounts and Audit Regulations 2003.

4.3 Personnel

None

4.4 Other Services

There are no direct implications for other services arising from the contents of the report; but the outturn for 2006/07 does impact on other services.

4.5 Diversity

None

4.6 Risk

Financial management arrangements are a key part of the Council's strategic and operational risk management processes. At a strategic level, the Council has recognised this through the Strategic Risk Profile and the increasing emphasis on medium term financial planning.

The level of reserves are referred to in section 13 of the report and show the general fund reserve at £390,000. The Medium Term Financial Strategy states that the General Fund Reserve should not be allowed to fall below £349,000.

The Council's risk management arrangements are an integral part of the authority's internal control and corporate governance framework.

5. REPORT

5.1 The following section summarises the Council's financial performance in 2006/07.

6. GENERAL FUND REVENUE EXPENDITURE

6.1 General Fund expenditure for 2006/07 is summarised in the Income and Expenditure Account in section 4 of the Statement of Accounts.

This shows the costs of the Council's services, other than Council housing and how the net expenditure has been funded.

6.2 The table below shows where our money came from and how we spent it.

WE SPENT MONEY ON:-

Service	Net Actual Expenditure	Percentage of Total
Community Safety and Development	69.3	0.8%
Leisure	1,790.7	19.7%
Environmental Health	513.1	5.7%
Planning	85.1	0.9%
Environmental Services	2,646.6	29.1%
Revenues and Benefits	657.6	7.2%
Finance and Accountancy	12.6	0.1%
Organisational Development	154.3	1.7%
Corporate Development Unit (Incl. conc. travel)	1,309.5	14.4%
Regeneration	603.3	6.7%
Legal and Democratic Services	319.3	3.5%
Corporate Functions and Savings	930.8	10.2%
Sub Total	9,092.2	100%
Less: Capital Accounting Adj.	(972.4)	
Less: Interest on Investments	(333.3)	
Net	7,786.5	100%

WHERE THE MONEY CAME FROM:-

	£'000	Percentage of Total
Council Tax	2,851	36%
Revenue Support Grant	792	10%
Business Rates	4,103	53%
Collection Fund Surplus	70	1%
Budget for the year	7,816	100%

6.3 The Council set a net General Fund Revenue Budget of £7,815,767 for 2006/07.

The table below shows the budgeted figures for 2006/07 as compared with the actual outturn for the year.

Service	Original Net Budget £'000s	Probable Net Budget £'000	Net Actual Outturn £'000	Variance from Probable Budget £'000
Community Safety and Development	144.2	75.6	69.3	- 6.3
Leisure	1,672.3	2,146.7	1,790.7	- 356.0
Environmental Health	576.5	530.0	513.1	-16.9
Planning	200.7	86.3	85.1	- 1.2
Environmental Services	2,579.8	2,668.2	2,646.6	-21.6
Revenues and Benefits	661.7	704.1	657.6	- 46.5
Finance and Accountancy	16.3	3.1	12.6	+ 9.5
Organisational Development	196.1	156.0	154.3	- 1.7
Corporate Development Unit	1,345.7	1,324.4	1,309.5	- 14.9
Regeneration	850.4	797.1	603.3	- 193.8
Legal and Democratic Services	280.0	299.2	319.3	+ 20.1
Corporate Functions and Savings	439.7	806.6	930.8	+ 124.2
Less: Capital Accounting Adj.	(890.0)	(1,451.5)	(972.4)	+ 479.1
Less: Interest on Investments	(257.6)	(330.0)	(333.3)	- 3.3
	7,815.8	7,815.8	7,786.5	- 29.3

6.4 The final position for 2006/07 shows an underspend of £29,354 as compared with the probable budget. This has been transferred to reserves.

6.5 Changes in the treatment of capital charges, which, effectively, show the depreciation of assets used to provide the service, have affected the outturn for several service areas; leisure, environmental services and regeneration, and the Civic Centre (included in Corporate Functions), are the main services affected by these changes. Capital charges do not, however, affect the real cost of the general fund services as they are reversed out in the capital accounting adjustments and are not taken into account in the net costs of services.

6.6 Excluding the effects of the changes in capital charges, the main variances from the probable budget were as follows:

	£'000
Leisure	- 35.3
Environmental Services	+ 27.8
Revenues and Benefits	- 46.5
Regeneration	- 50.7

The underspend on leisure services is mainly due to additional income at the leisure centre and riverside along with a small saving at Selby Cottage.

The overspend on Environmental Services is mainly due to a reduction in income from the highways agency service carried out for Durham County Council.

The underspend on Revenues and Benefits is mainly due to vacancy savings.

The underspend on regeneration is mainly due to savings from vacant posts, and some small underspends against budgets for the housing needs survey, maintenance and equipment.

- 6.7 The variance showing against corporate functions and savings is simply due to the fact that the PSA grant and the LAGBI grant income which were expected to be needed to fund the probable budget were not actually required for the final outturn for the year.

7. HOUSING REVENUE ACCOUNT

- 7.1 The Housing Revenue Account (HRA) is a statutory ring-fenced account into which all items of expenditure and income relating to the provision of the public sector housing service must be charged. The HRA cannot be subsidised from the General Fund, neither can it subsidise the General Fund. Housing Revenue Account expenditure for 2006/07 is summarised in section 10 of the Statement of Accounts.

- 7.2 The table below shows the budgeted figures for 2006/07 compared with the actual outturn for the year.

	Original Budget £'000	Actual Outturn £'000	Variance from Budget £'000
<u>Income</u>			
Rents and other income	10,660	10,802	- 142
Major Repairs Allowance	2,376	2,376	0
Interest receivable	41	51	- 10
Negative subsidy paid to DCLG	(4,281)	(4,275)	- 6
Rent Constraint Allowance	0	92	- 92
Total income	8,796	9,046	- 250

<u>Expenditure</u>			
Property Services	3,032	2,826	- 206
Central Costs	437	412	- 25
Estate Management	778	854	+ 76
Income Management	265	269	+ 4
I T and Accounts	374	317	- 57
Community Engagement	147	203	+ 56
Exceptional Items	227	119	- 108
Stock Transfer	300	370	+ 70
Special Services – Sheltered Housing	228	191	- 37
Care for the Elderly – Careline	34	121	+ 87
Council House Sales	-	13	+ 13
Cost of Democracy	278	278	0
Depreciation	2,376	2,376	0
Debt Management and Loan Charges	775	855	+ 80
Direct Revenue Financing	0	435	+ 435
Total expenditure	9,251	9,639	+ 388
(SURPLUS)/DEFICIT	455	593	+ 138

7.3 The main reason for the variance on the Housing Revenue Account of £138,000 is the direct revenue financing – which is a revenue contribution to the housing capital programme, partly offset by additional income and savings in our budgets.

7.4 The closing balance on the housing revenue account reserve at the end of 2006/07 is £1.3 million. Savings in the HRA are expected in 2007/08 which will increase the balance on the reserve by the end of the year.

**8. BUILDING AND MAINTENANCE
DIRECT LABOUR ORGANISATION (DLO)**

8.1 Turnover in 2006/07 amounted to £2.735 million and resulted in a surplus of £4,231 for the year. (2005/06 turnover amounted to £2.587 million and a surplus of £15,057).

9. CAPITAL PROGRAMME

9.1 Total Capital Programme expenditure amounted to £11.467 million, as compared with the agreed programme of £12.264 million.

9.2 This includes expenditure on Council housing, regeneration and other general fund schemes. The main areas of expenditure included:-

	£'000
Affordable Housing	5,286
Town Centre Regeneration	2,150
SHIP	1,494
Housing Grants	654
I.T. (incl. telephony)	599
Pelton Fell Regeneration	522

9.3 The total capital programme expenditure of £11,467 million was financed as follows:-

	£'000	Percentage of Total
Major Repairs Allowance	2,376	21%
Capital Receipts	1,480	13%
Borrowing	4,906	43%
Government Grants	118	1%
Other Grants and Contributions	1,969	17%
Revenue	618	5%
	11,467	100%

10. REVENUE RECOVERY

10.1 The table below summarises the performance of the Council in recovering amounts due from local taxpayers and tenants.

	Arrears	Arrears
	31 March 2006	31 March 2007
	£	£
Council Tax	807,611	729,479
Non Domestic Rates	498,979	311,078
Rents	465,168	506,020
	1,771,758	1,546,577

10.2 The total amount of Council Tax collected during 2006/07 amounted to £19,389,665.64 million, and the total amount of non-domestic rates amounted to £6,563,714.59 million.

10.3 The authority achieved a collection rate of 97.2% for Council Tax and 96.7% for non-domestic rates in 2006/07.

11. BORROWING

11.1 For 2006/07 the Council set its Authorised Limit which is the 'Affordable Borrowing Limit' required by s3 of the Local Government Act 2003 at £22.05 million.

11.2 The Council did not exceed its authorised limit.

11.3 The Operational Boundary, set at £20.04 million for 2006/07, is a potential borrowing position that could be required in the event of cash flow problems that could arise during the year, and periods when the actual position is either below or over the boundary would be acceptable, subject to the Authorised limit not being breached.

11.4 The Operational Boundary is how we manage external debt to ensure we remain within the authorised limit.

11.5 The maximum gross borrowing position during the year was £21.77 million, and the minimum gross borrowing position was just over £14.63 million.

11.6 The long-term debt at the end of 2006/07 stood at £18.77 million.

11.7 The average rate of interest paid on long-term loans in 2006/07 was 5.55% compared with a rate of 5.63% in 2005/06.

12. INVESTMENTS

- 12.1 The Council's investments amounted to £6.39 million on 31 March 2007. An average rate of interest of 4.83% was earned on investments.

13. RESERVES AND BALANCES

- 13.1 At the end of 2006/07, the Council's total General Fund reserves amounted to £1.7 million. This total comprises:-

	£000
General Fund Reserve	390
Insurance Reserve	176
Earmarked Revenue Reserves	1,134
	1,700

- 13.2 The General Fund reserve is a reserve set aside for unforeseen events and is needed to help cash flow management.

The Council is responsible for collecting the Council Tax for Durham County Council, Durham Police Authority, Durham and Darlington Fire and Rescue Authority and the Parish Councils, as well as itself. Instead of paying their share of the Council Tax as it is collected, the Council has to pay a proportion of the total due to the different organisations at specific times during the year, irrespective of whether the amounts due have been collected. It is important, therefore, to have the general reserve available to help meet these payments should this be required.

- 13.3 The earmarked revenue reserves are a wide variety of funds earmarked for specific revenue purposes. The total includes the planning delivery grant, funding earmarked for leisure activities and the Venture Fund.
- 13.4 The Housing Revenue Account (HRA) has reserves of approximately £1.3 million.

14. STATEMENT OF INTERNAL CONTROL

- 14.1 The Statement of Internal Control is detailed in section 12 of the Statement of Accounts. This is the last year that the SIC will be reported to Council in this format. A revised Framework for Corporate Governance is being published in June 2007 which will necessitate a review of local government arrangements and recommend an annual governance statement that subsumes the requirement to prepare and publish a Statement of Internal Control, effective from 2007/08.

- 14.2 There are several actions detailed in the Statement of Internal Control:-

- (i) Review the existing Corporate Governance arrangements including the local code following publication of the new guidance;

- (ii) review the current Risk Management Strategy and Strategic Risk Profile; use risk software to facilitate regular risk monitoring and reporting; ensure all managers are trained to apply risk management principles and methodologies;
- (iii) review and update the Business Continuity Plan;
- (iv) implement the action plan to address the areas for improvement identified in the Use of Resources Assessment in respect of financial reporting; financial management and financial standing;
- (v) progress the procurement strategy action plan;
- (vi) develop a corporate Asset Management Plan;
- (vii) develop and embed the Council's service planning and budget setting cycle to sustain a clear focus on value for money;
- (viii) undertake training in respect of the revised Model Code for Members;
- (ix) review the whistleblowing arrangements.

15. RECOMMENDATIONS

15.1 It is recommended that

- (i) Council approves the Statement of Accounts for 2006/07, subject to audit;
- (ii) the capital financing for 2006/07 be determined as detailed in the report;
- (iii) delegated authority be given to the Director of Resources, in consultation with the Lead Member for Resources and Value for Money, to make any amendments to the Statement which are not material;
- (iv) Council approves the Statement of Internal Control, subject to audit.

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Version 1.0

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