

CITY OF DURHAM COUNCIL

AUDIT OVERVIEW COMMITTEE

26TH APRIL, 2007

REPORT OF THE HEAD OF FINANCIAL SERVICES

**STATEMENT OF ACCOUNTS 2006/07 - SORP 2006 IMPLICATIONS
REFORMATTED AND RESTATED 2005/06 POSITION**

1. INTRODUCTION / PURPOSE OF THE REPORT

- 1.1 This report has been prepared for members following consideration of the report to Audit Overview Committee on 28 March 2007. As members will recall, the report in March brought to members' attention the changes to the form and structure of the City Council's Annual Statement of Accounts, which will apply to the 2006/07 statements and beyond.
- 1.2 As requested, the appendices to this report set out for members attention the revised format, structure and content of the main financial statements for 2006/07 (excluding the notes to the accounts) and include 2005/06 revised figures in accordance with the SORP.

2. BACKGROUND INFORMATION

- 2.1 As members will recall, the Statement of Recommended Practice (S.O.R.P.) 2006 (applicable to accounts for the financial year ended 31 March 2007) was published in Autumn 2006 and sets out recommendations regarding the structure and format of the accounts. However, the detailed practitioners guidance on how to apply the changes set out in the S.O.R.P. were subject to constant and lengthy delay and were only published 27 February 2007. This guidance was supplemented by national and regional seminars and training sessions – to which the City Council has been well represented to ensure all these changes, are fully understood and implemented correctly.
- 2.2 In addition to bringing the format and structure of the accounts into more of a UK GAAP compliant context, the whole aim of these changes is to try and make the statements more accessible and better understood. Members should note that, whilst these changes are applicable from 2006/07 onwards, there is a requirement to re-cast (for comparison and consistency purposes) the 2005/06 figures as part of the closedown process.
- 2.3 The main significant changes (from the 2005/06 Accounts) were highlighted in some detail in the report to Audit Overview Committee on 28 March 2007. It was at this meeting that it was noted that work had begun on recasting the 2005/06 accounts in accordance with the revised format and content and officers were working the external auditor to ensure that the (often) technical accounting treatment changes are properly and accurately implemented and explained.
- 2.4 Members will recall that they requested (if this possible) to see an early draft of the main statements, incorporating the recast 2005/06 figures. These are included at Appendix A to D for information purposes, although it must be stressed that these are essentially working drafts and the figures may change over the coming weeks.

4. CONCLUSIONS

- 4.1 As can be seen, the 2006/07 Accounts will be substantially different from the 2005/06 Statements and there are a number of “technical” accounting treatments / adjustments and changes that have needed to be actioned within the accounts this year in order to recast the 2005/06 position for comparison purposes and ensure the 2006/07 accounts are prepared in accordance with the revised SORP.
- 4.2 A copy of the working papers that have been prepared in support of these statements has been passed to the City Councils External Auditor (and shared with colleagues in other neighbouring authorities) for consideration at this early stage and meetings are ongoing to ensure that the interpretation made is in accordance with the auditors expectations.
- 4.3 Officers will continue to work closely with the external auditor to ensure that the risks associated with ensuring full compliance with the revised SORP are mitigated and that the City Council receives an un-qualified audit opinion and maintains the very high standards set in the production of the 2005/06 Accounts.

5. RECOMMENDATIONS

- 5.1 That members note the revised format and structure of the attached draft statements in advance of receipt / consideration of the draft Statement of Accounts for 2006/07.

Income and Expenditure Account

Year Ended 31.03.06 (2005/06)		Year Ended 31 March 2007 (2006/07)			
Net £000		Expend £000	Income £000	Net £000	Notes
467	Central Services to the Public				
8,595	Cultural, Environmental and Planning Services				
148	Highways, Roads and Transport Services				
768	Housing General Fund Services				
(146)	HRA Housing				
-	Social Services				
1,605	Corporate & Democratic Core				
1,062	Non Distributed Costs				
12,499	Net Cost of Services				
359	Precepts Paid to Parish Councils				
(347)	(Surpluses) / Deficits on Undertakings Not Included in the Net Cost of Services				
-	(Gain) / Loss on Sale of Fixed Assets				
-	(Gain) / Loss on Sale of Investments				
366	Interest Payable and Similar Charges				
4,352	Contribution of Housing Capital Receipts to Government Pool				
(1,405)	Interest and Dividends Receivable				
1,740	Pensions Interest Costs and Expected Return on Pension Fund Assets				
17,564	Net Operating Expenditure				
	Principal Sources of Finance :-				
(4,883)	Demand from the Collection Fund				
(4,328)	Revenue Support Grant				
(2,577)	Redistributed Non-Domestic Rates (From Central Pool)				
5,776	(Surplus) / Deficit for the Year				

**Statement of the Movement on
the General Fund Balance**

Year Ended 31 March 2006 (2005/06)		Year Ended 31 March 2007 (2006/07)	
£000		Notes	£000
5,776	(Surplus) / Deficit for the Year on the Income and Expenditure Account		
(6,478)	Net Additional Amount required by statute and non-statutory proper accounting practices to be debited or credited to the General Fund Balance for the Year		
(702)	(Increase) / Decrease in the General Fund Balance for the Year		
(2,104)	General Fund Balance Brought Forward		
(2,806)	General Fund Balance Carried Forward		

SUPPORTING RECONCILING NOTE TO STATEMENT OF MOVEMENT ON FUND BALANCE

Year Ended 31 March 2006 (2005/06)		Year Ended 31 March 2007 (2006/07)
£000		£000
Amounts Included in the Income and Expenditure Account but required by Statute to be excluded when determining the movement on the General Fund Balance		
(1,046)	Depreciation and Impairment of General Fund Fixed Assets	
-	Amortisation of Government Grants Deferred	
(543)	Write Down of Deferred Charges financed from Capital Resources	
-	Net Loss on Sale of Fixed Assets	
-	Net Charges made for retirement benefits in accordance with FRS17	
(1,589)	Sub Total	
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance		
175	Minimum Revenue Provision for Capital Financing	
-	Capital Expenditure charged in year to Revenue	
(4,352)	Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool	
(1,210)	Employer's Contributions Payable to Pension Fund and retirement benefits payable direct to Pensioners	
(5,387)	Sub Total	
Transfers to or from the General Fund Balance required to be taken into account when determining the movement on the General Fund Balance		
146	Surplus transferred to Housing Revenue Account Balance	
352	Net Transfer to or (from) Earmarked Reserves	
498	Sub Total	
(6,478)	Net Additional Amount required by statute and non-statutory proper accounting practices to be debited or (credited) to the General Fund Balance for the Year	

**Statement of Total Recognised
Gains and Losses**

Year Ended 31 March 2006 (2005/06)		Year Ended 31 March 2007 (2006/07)	
£000		Notes	£000
5776	(Surplus) / Deficit for the Year on the Income and Expenditure Account		
27,622	(Surplus) / Deficit for the Year arising from the revaluation of Fixed Assets		
540	Actuarial (Gains) and Losses on Pension Fund Assets and Liabilities		
4,297	(Increase) / Decrease in Capital Financing Reserve		
137	(Increase) / Decrease in Deferred Capital Receipts Reserve		
(4,169)	(Increase) / Decrease in Earmarked Reserves		
(876)	(Increase) / Decrease in Usable Capital Receipts Reserve		
(932)	(Increase) / Decrease in Capital Grants & Contributions Reserve.		
5	Surplus) / Deficit on the Collection Fund relating to the City of Durham		
32,400			

Balance Sheet

Year Ended 31 March 2006 (2005/06)		Year Ended 31 March 2007 (2006/07)		
		Notes	£000	£000
	£000			
	Fixed Assets			
241,147	- Council Dwellings			
22,933	- Other Land & Buildings			
20,150	- Millennium Development			
1,058	- Non Operational Assets			
1,317	- Vehicles, Plant and Equipment			
977	- Community Assets			
-	- Work in Progress			
287,582	Total Fixed Assets			
2,587	Intangible Assets			
298	Long Term Debtors			
290,467	Total Long Term Assets			
	Current Assets			
349	Stocks and Work in Progress			
6,485	Short Term Investments			
6,483	Debtors			
14	Cash in Hand			
13,331	Total Current Assets			
	Current Liabilities			
(7,344)	Creditors			
(486)	Cash Overdrawn			
(1,615)	Borrowing Repayable within 12 months			
(9,445)	Total Current Liabilities			
	Long Term Liabilities			
(20,093)	Long Term Loans Outstanding			
(52,600)	Deferred Liabilities (Pensions)			
993	Provisions			
(1,209)	Government Grants Deferred			
(72,909)	Total Long Term Liabilities			
221,444	Total Assets Less Liabilities			
	Financed By (see Notes pages 84 - 88)			
181,170	Fixed Asset Restatement Account			
85,001	Capital Financing Account			
2,277	Usable Capital Receipts Reserve			
(52,600)	Pension Reserve			
2,807	General Fund Balance			
669	Housing Revenue Account Balance			
174	Deferred Capital Receipts Reserve			
1,946	Earmarked Reserves			
221,444	Total Net Worth			

**Housing Revenue Account
Income and Expenditure Account**

Year Ended 31 March 2006 (2005/06)		Year Ended 31 March 2007 (2006/07)	
£000		Notes	£000
	Income		
15,591	Dwelling Rents (Gross)		
14	Non Dwelling Rents (Gross)		
60	Charges for Services and Facilities		
243	Contributions towards Expenditure		
-	HRA Subsidy Receivable		-
-	Sums Directed by the Secretary of State that are Income in accordance with UK GAAP		-
15,908	Total Income		
	Expenditure		
3,165	Repairs and Maintenance		
1,741	Supervision and Management		
474	Rent, Rates, Taxes and Other Charges (Incl. Void Rent Loss)		
1,326	Negative HRA Subsidy Payable		
-	Negative HRA Subsidy transferable to the General Fund under the transitional arrangement		
52	Debt Management Costs		
111	Increase / (Decrease) in Provision for Bad and Doubtful Debts		
-	Sums Directed by the Secretary of State that are Expenditure in accordance with UK GAAP		
6,869	Total Expenditure		
(9,039)	Net Cost of HRA Services per Authority Income and Expenditure Account		
713	HRA Share of Corporate and Democratic Core		
1983	HRA Share of Other Amounts included in the whole authority Net Cost of Services but Not allocated to specific services		
(6,343)	Net Cost of HRA Services		
-	(Gain) or Loss on Sale of HRA Fixed Assets		
1,633	Interest Payable and Similar Charges		
328	Amortisation of Premiums and Discounts		
(25)	Interest and Investment Income		
-	Pensions Interest Costs and Expected Return on Pension Fund Assets		
(4,407)	(Surplus)/Deficit for Year on HRA Services		

**Statement of the Movement on the
Housing Revenue Account Balance**

Year Ended 31 March 2006 (2005/06)		Year Ended 31 March 2007 (2006/07)	
£000		Notes	£000
(4,407)	(Surplus) / Deficit for the Year on the HRA Income and Expenditure Account		
4,101	Net Additional Amount required by statute to be debited or (credited) to the HRA Balance for the Year		
(306)	(Increase) / Decrease in the HRA Balance for the Year		
(363)	HRA Balance Brought Forward		
(669)	HRA Balance Carried Forward		

SUPPORTING RECONCILING NOTE TO STATEMENT OF MOVEMENT ON HRA BALANCE

Year Ended 31 March 2006 (2005/06)		Year Ended 31 March 2007 (2006/07)
£000		£000
Amounts Included in the HRA Income and Expenditure Account but excluded when determining the movement on the HRA Balance		
-	Difference Between amounts charged to Income and Expenditure Account for Amortisation of Premiums and Discounts and the charge for the year determined in accordance with statute	
-	Difference Between any other item of Income and Expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	
-	Gain or Loss on Sale of HRA Fixed Assets	
-	Net Charges made for retirement benefits in accordance with FRS17	
-	Sums Directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAAP	
-	Sub Total	
Amounts not included in the HRA Income and Expenditure Account but required to be included when determining the movement on the HRA Balance		
3,520	Transfer To / (From) Major Repairs Reserve	
-	Transfer To / (From) Housing Repairs Account	
-	Employer's Contributions Payable to Pension Fund and retirement benefits payable direct to Pensioners	
-	Voluntary set aside for Debt Repayment	
581	Capital Expenditure funded by the HRA	
4,101	Sub Total	
4,101	Net Additional Amount required by statute to be debited or (credited) to the HRA Balance for the Year	