

ITEM NO: 12

DECISION-MAKER:	AUDIT COMMITTEE STANDARDS & GOVERNANCE COMMITTEE		
SUBJECT:	STATEMENT OF ACCOUNTS 2006/07		
DATE OF DECISION:	28 th JUNE 2007 29 th JUNE 2007		
REPORT OF:	EXECUTIVE DIRECTOR OF RESOURCES		
AUTHOR:	Name:	Rob Carr, Head of Finance	Tel: 023 80 832885
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STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

SUMMARY

In accordance with the Accounts and Audit Regulations 2003 the Statement of Accounts 2006/07 is submitted for approval. The statutory deadline for approving the accounts is 30th June.

The accounts that have been submitted for approval have been subject to review by Senior Managers in the limited time that has been available. However this process will continue up to the date of the meeting and any major issues will be reported at the meeting.

Under 5.10 (3b) of the Regulations after approval the accounts must be signed and dated by the person presiding at the meeting.

Presenting the accounts at this time means that the Annual Audit, carried out by the Audit Commission, will not have been completed. Any major changes to the Statement of Accounts arising from the annual audit will be reported to the Standards and Governance Committee after the completion of the audit on 30th September 2007.

RECOMMENDATIONS:

AUDIT COMMITTEE

- (i) Recommend to the Standards & Governance Committee that the 2006/07 Statement of Accounts be approved.

STANDARDS & GOVERNANCE COMMITTEE

- (i) That the Statement of Accounts 2006/07 be approved and signed by the Mayor or the appropriate person presiding at the meeting subject to any changes required after the completion of the Audit;

- (ii) To approve, if necessary, any changes required to the draft report following the further review by officers; a schedule of which will be provided at the meeting; and
- (iii) Note that the final version submitted to the Audit Commission will be sent to all members of Standards & Governance and Audit Committee for information.

REASONS FOR REPORT RECOMMENDATIONS

1. It is a legal requirement to approve the Statement of Accounts by 30th June 2007.

CONSULTATION

2. Not Applicable.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. It is a legal requirement to approve the Statement of Accounts by 30th June 2007.

DETAIL

4. The Statement of Accounts is a complex document with the layout and information provided being defined by statutory requirements. The key issues that should be drawn to the committee's attention are detailed below.

CHANGES TO THE 2006/07 ACCOUNTS

5. There have been a number of changes to local authority accounting regulations which have a significant effect on the presentation of the Statement of Accounts from 2006/07. These were summarised in a report to the Audit Committee on 8th February 2007. The key changes are:
 - Removal of the capital financing charge
 - The Consolidated Revenue Account (CRA) replaced with the Income and Expenditure Account
 - Changes to the HRA Statement
 - New Statement of Total Recognised Gains and Losses
6. One of the main effects of these changes is that notional charges such as depreciation are no longer reversed out of the main revenue statement (now known as the Income & Expenditure Account). Therefore, this statement shows a net deficit due to the effect of these notional charges. These notional charges have no effect on the General Fund Balance or the amount to be raised from Council Tax. There is now a separate statement called the Statement of Movement on the General Fund Balance which shows the movement from the deficit on the Income & Expenditure Account to the General Fund Balance.

REVENUE EXPENDITURE AND INCOME

7. The Statement of Accounts presents the Income & Expenditure Account in a statutory format which includes notional costs that have no impact on the Council Tax charge.

The table on page 3 of the Statement of Accounts presents the Council's revenue and income in a format that shows the net impact on the General Fund Balance, compared to budget. This shows that compared to the original budget the contribution from reserves has reduced by £2.9M.

However, during the year, the Council has made changes to the budgets which were reported to Cabinet in October 2006. Compared to this revised budget, the Council has underspent by £6.2M, which is made up as follows:

	£M
Reductions in Portfolio spending	5.0
Divisional over recoveries and holding account adjustments	1.1
Other Variations	0.1
Total	6.2

8. Against this underspend are requests for carry forward of budget of £1.3M which are subject to review before being submitted to Cabinet for consideration.

GENERAL FUND BALANCES

9. The General Fund balance stands at £10.9M and is used as a working balance and to support future spending plans. This compares to a balance of £10.7M at the end of 2005/06.

CAPITAL EXPENDITURE

10. In 2006/07 the Council spent £55M on capital projects. This was £12M less than the approved estimates, principally due to slippage of expenditure which will now be incurred in 2007/08.

THE COLLECTION FUND

11. The Collection Fund had a surplus for the year of £2.5M. There was a deficit brought forward from 2005/06 of £1.9M, to give a total surplus to be carried forward of £0.6M. The 2007/08 budget assumes a surplus of £0.8M. Therefore there will be a deficit of £0.2M to be taken into account when

setting the 2008/09 budget.

12. PENSIONS

In 2006/07 the Council paid an employer's contribution of £20.2M into Hampshire County Council's Pension Fund. The employer's rate in 2006/07 was 275% of employees' contributions. The rate set for 2007/08 is 295%.

13. The Council's share of the assets in the Hampshire County Council pension fund at 31 March 2007 was £369M, compared to its estimated liabilities of £587M, giving an estimated deficit on the Fund of £218M. The deficit will be made good by increased contributions at a level assessed by the scheme actuary.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

14. The capital implications are considered as part of the Capital Outturn reports that will be presented to Council on 18th July 2007.

Revenue

15. The revenue implications are considered as part of the Revenue Outturn reports that will be presented to Council on 18th July 2007.

Property

16. There are no specific property implications arising from this report

Other

17. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

18. Accounts and Audit Regulations 2003.

Other Legal Implications:

19. None.

POLICY FRAMEWORK IMPLICATIONS

20. None. It should be noted that the Statement of Accounts is prepared in

accordance with CIPFA's code of Practice on Local Authority Accounting in the UK.

SUPPORTING DOCUMENTATION

Appendices

1.	Draft Statement of Accounts 2006
2.	

Documents In Members' Rooms

1.	None.
2.	

Background Documents

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	Changes to the 2006/07 Accounts as Approved by the Audit Committee on 8 th February 2007.	
2.		

Background documents available for inspection at:

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FORWARD PLAN No: N/A

KEY DECISION? N/A

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WARDS/COMMUNITIES AFFECTED:

NOT APPLICABLE