

AGENDA ITEM: 9 (URGENT ITEM)

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Meeting	Audit Committee
Date	28 June 2007
Subject	2006/07 Statement of Accounts
Report of	Cabinet Member for Resources
Summary	To approve the Statement of Accounts for 2006/07 as required by regulations under Section 27 of the Audit Commission Act 1998

Officer Contributors	Chief Finance Officer Head of Strategic Finance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Statement of Accounts (to follow)
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	It is a statutory requirement that the 2006/07 Statement of Accounts be approved by 30 June 2007

Contact for further information: Jonathan Bunt on 020 8359 7249 or Andrew Evans on 020 8359 7114

1 RECOMMENDATIONS

- 1.1 That the Statement of Accounts for the financial year ended 31 March 2007 be approved.**
- 1.2 That the Statement of Accounting Policies included in the accounts be adopted.**
- 1.3 That the Chief Finance Officer, in consultation with the Chairman of the Audit Committee, be authorised to agree significant changes, if any, to the draft Statement of Accounts following discussions with auditors, and inform members of the Committee accordingly.**
- 1.4 That the Committee agree that the Statement of Accounts be signed by the Chairman as having been approved.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 It is important that members receive regular monitoring reports on the Council's financial position. It is a statutory requirement that the Statement of Accounts is presented to members for approval before 30 June 2007.

4 RISK MANAGEMENT ISSUES

- 4.1 These are addressed in the Statement on Internal Control for 2006/07 which will form part of the final Statement of Accounts. This statement is required under the Accounts and Audit Regulations 2003 and is a corporate document signed by the Chief Executive and Leader of the Council. The statement is currently being prepared and will be presented to the Audit Committee in September for approval prior to inclusion in the approved Statement of Accounts to be signed off by external audit by 30 September.

5 EQUALITIES AND DIVERSITY ISSUES

- 5.1 Financial monitoring is important to ensure the management of resources to ensure the equitable delivery of services to all members of the community and to reduce the differential impact of the services received by all of Barnet's diverse communities.

6 FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 The Statement of Accounts shows the financial position of the council as at 31 March 2007.

7. LEGAL ISSUES

- 7.1 As referred to in the report.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution Part 3 – 2 – Responsibility for Council Functions – Audit Committee: To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

9 BACKGROUND INFORMATION

- 9.1 The Statement of Accounts represent an important formal corporate statutory document. This is reflected in the requirements of the Account and Audit Regulations 2003 to include a Statement on Internal Control that is approved by the authority and also having the accounts signed and dated as approved by the Chairman of the approving Committee.
- 9.2 The Statement of Accounts is attached at Appendix A. The external audit will begin in July 2007 and it is proposed that the Chief Finance Officer in consultation with the Chairman of this committee agree any significant changes following discussion with the auditors. Alongside the audit, the Statement of Accounts and all the supporting document will be open for public inspection for a period across August and September 2007.
- 9.3 The new Statement of Recommended Practice (SORP) for the production of the 2006/07 Statement of Accounts has introduced significant changes to how the financial position is presented. The purpose of these changes is to bring local government financial reporting closer to that of the private sector and other parts of the public sector such as central government and the National Health Service
- 9.4 The most significant of these is the replacement of the Consolidated Revenue Account (CRA) by the Income & Expenditure Account (I&E) and two supplementary statements, the Movement of General Fund Balances and the Statement of Total Recognised Gains & Losses. As the name implies the new I&E statement focuses solely on the monies spent or received, or due to be spent or received, by the authority in the financial year without the various technical and other accounting adjustments which were previously contained within the CRA.
- 9.5 The key issue with the new I&E account, from a presentational perspective, is that it will show the Council as operating at a significant deficit as the large credits that were in the technical and other adjustments section of the CRA have been removed. For 2005/06, once the accounts were restated in line with the new regulations, the net general fund surplus of nearly £6m reported in the 2005/06 Statement of Accounts translated into a deficit of in excess of £26m. Whilst no comparative sets of accounts are available at the

time of writing, anecdotal evidence from our external auditor indicates that the significant deficit on the I&E account is consistent with the experience of other authorities.

- 9.6 As a result it is essential that the I&E account is considered alongside the Council's financial outturn to be reported to the Cabinet Resources Committee in June 2007. This will show how the Council achieved against its approved budget for 2006/07 and will show the achievement of a surplus rather than a significant deficit. The I&E account is reconciled back to the outturn via the further two new statements, the Movement of General Fund Balances and the Statement of Total Recognised Gains & Losses, which, in effect, contain the technical and other accounting adjustments which ensure that certain liabilities, such as depreciation, do not impact on the Council Tax payer.
- 9.7 There are further more detailed technical changes required by the new SORP and the authority's approach to these is outlined in the Statement of Accounting Policies.
- 9.8 This year has seen further utilisation of the functionality of the Council's core financial system, SAP, to automate previously manual process as part of the ongoing embedding and development of the system. This will continue in the new financial year and make it easier for the authority to adapt to the changes of the new accounting requirements in future years.
- 9.9 Whilst further explanation of the accounts are contained with the Chief Finance Officer's foreword, it is worthwhile to highlight some of the key issues for 2006/07:
 - 9.9.1 The overall financial position of the Council has improved significantly on that of 31 March 2006 as a result of a net underspend against budget of £1.613m. The general fund balance has increased from £10.486m to £12.099m and earmarked reserves have also increased to £12.289m.
 - 9.9.2 It is important to emphasise that the earmarked reserves have been established for specific reasons, for example to meet the one off costs relating to the revised severance scheme and to meet potential costs in the later years of the PFI lighting scheme, and are not for general utilisation.
 - 9.9.3 The Housing Revenue Account balance has also increased by £1.131m to £4.835m.
 - 9.9.4 Also included in the Statement of Accounts, are the group account statements for the Council and its subsidiary company, Barnet Homes Ltd. The statements are based on the draft accounts received from Barnet Homes Ltd which have been approved by their board but are still subject to audit. Any adjustments which are required to the Barnet Homes Ltd accounts by their external auditor, will also have to be reflected in the group accounts statements for the Council.
- 9.10 The Council's external auditors Robson Rhodes will present the ISA 260 report to this Committee on 20 September 2007. This will report identify any

findings and issues that have been identified during the course of the audit which the auditors wish to bring to the attention of the Authority.

10 LIST OF BACKGROUND PAPERS

10.1 None

Legal: MM

CFO: JB