

AGENDA ITEM: 6A Page nos. XX - Xx

Meeting	Audit Committee
Date	30 June 2008
Subject	2007/08 Statement of Accounts
Report of	Deputy Director of Resources & Chief Finance Officer
Summary	To approve the Statement of Accounts for 2007/08 as required by Account and Audit Regulations 2003

Officer Contributors	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)	N/a

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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 Deputy Director of Resources & 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 the external auditor, 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.**
- 1.5 That the committee considers whether it wants to review the accounts of Barnet Homes Ltd at its next meeting.**

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 2008.

4 RISK MANAGEMENT ISSUES

- 4.1 These are addressed in the statement on Internal Control for 2007/08 which is incorporated within the Council's Annual Governance Statement and will form part of the final Statement of Accounts. The Annual Governance Statement is due to be considered elsewhere on this agenda.

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 2008.

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 and requires the accounts to be 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 2008 and it is proposed that the Deputy Director of Resources & 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 documentation will be open for public inspection for a period across August and September 2008.

9.3 As was the case last year, it is essential that the Income & Expenditure account, which reports a significant deficit in 2007/08, is considered alongside the Council's financial outturn reported to the Cabinet Resources Committee on 17 June 2008. This showed how the Council achieved against its approved budget for 2007/08 and the achievement of a surplus rather than a significant deficit. The I&E account is reconciled back to the outturn via two further 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 that ensure certain liabilities (e.g. depreciation) do not impact on the Council Tax payer.

9.4 For the second year in a row, the Statement of Recommended Practice (SORP) for local authorities has been subject to significant change, which impacts on the presentation of the Statement of Accounts. The most significant of these is the creation of the Revaluation Reserve in the balance sheet and the accounting treatment of certain market loans the Council holds to finance its capital programme.

9.5 The new Revaluation Reserve, replacing the old Fixed Asset Restatement Account, forms part of a wider move to further align local authority accounting practice with that of the private sector and other parts of the public sector. Whilst there is no impact on the overall financial performance of the council, it does have an effect on the individual statements as it results in different accounting treatment for the valuation of council's assets, with a greater number of entries being processed through the Income and

Expenditure account than occurred previously. This does act to increase the deficit on the I&E account but, as noted in 9.3 above this does not impact on the level of balances.

- 9.6 The changes to the treatment of marker loans, or financial instruments as they are known technically, is also part of the alignment of local authority accounting practice with that of the private sector and other parts of the public sector. These technically complicated changes impacted on the Income and Expenditure Account by increasing the deficit. Again, however, the effect was reversed out 'below the line' of the I&E Account to avoid hitting General Fund balances, as is allowed under statutory regulations. Despite a change to the way in which a small proportion of the authority's debt is measured, there is only minimal impact on the balance sheet – as detailed in the Statement of Recognised Gains and Losses (STRGL). As required by the SORP, comprehensive details on our Financial Instruments are included in the Notes to the Accounts.
- 9.7 Whilst further explanation of the accounts are contained with the Chief Finance Officer's foreword, it is worthwhile highlighting some of the key issues for 2007/08:-
- 9.7.1 The overall financial position of the Council has again improved significantly on that of 31 March 2007 as a result of a net underspend against budget of £5.348m. The general fund balance has increased from £12.099m to £17.447m and earmarked reserves have also increased to £18.204m, thereby putting the council in a much stronger position to cope with financial risks outlined in the 2008/09 council budget report.
- 9.7.2 It is important to emphasise that the earmarked reserves have been established for specific reasons (e.g. to meet potential costs which fall outside the technical accounting definition of capital but are crucial to the successful completion of the project and to meet later years costs of the PFI lighting scheme) and are not for general utilisation.
- 9.7.3 The Housing Revenue Account balance has decreased by £0.671m to £4.164m due to an in year deficit in 2007/08.
- 9.7.4 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.

10 LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MM
CFO: JB