

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

23 June 2008

### Report of the Director of Finance

#### Part 1- Public

#### Delegated

#### **1 STATEMENT OF ACCOUNTS 2007/08**

**This report presents the Statement of Accounts for 2007/08 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom for consideration and endorsement. The Accounts include the proposals recommended to Cabinet on 18 June 2008.**

#### **1.1 Introduction**

1.1.1 The Statement of Accounts for 2007/08 must be approved by the Council or a Committee of the Council by 30 June 2008.

1.1.2 Under the Council's constitutional arrangements responsibility for the approval of the Statement of Accounts is delegated to the General Purposes Committee. The General Purposes Committee has a meeting scheduled for the 26 June in order to address this responsibility.

1.1.3 The role of this Committee is to consider and peruse the Statement of Accounts and to make recommendations as deemed appropriate to the General Purposes Committee. Due to the timing of meetings any recommendations deemed appropriate will be reported verbally to the meeting of the General Purposes Committee.

#### **1.2 Statement of Accounts**

1.2.1 There have been a number of changes to the Accounts with effect from 2007/08. The main changes are detailed below.

- The discontinuation of the Capital Financing Account and Fixed Asset Restatement Account.
- The introduction of a Capital Adjustment Account, created from the balances of the above two accounts as at 31 March 2007.

- The introduction of a Revaluation Reserve, created to account for all asset revaluations occurring from 1 April 2007.
- The adoption of Financial Reporting Standards (FRS) 25, 26 and 29 which cover the measurement, presentation and disclosure requirements of financial assets and financial liabilities. The FRS 25, 26 and 29 require, amongst other things, the accounts to disclose what is described as the fair value of financial assets and financial liabilities. Further information on the requirements of FRS 25, 26 and 29 can be found within the accounts.

1.2.2 The Statement of Accounts for 2007/08 is enclosed with this agenda. It consists of the following individual financial statements and associated notes:

- 1) Income and Expenditure Account - the Council's main revenue account for the financial year, covering income and expenditure on all services.
- 2) Statement of Movement on the General Fund Balance - a statement showing the net amount required by statute and non-statutory practices to be debited or credited to the General Fund in determining a local authority's budget requirement.
- 3) Statement of Total Recognised Gains and Losses - a statement showing how the movement in the net worth of the Council, as shown in the Balance Sheet, links to the surplus or deficit in the Income and Expenditure Account and to other gains and losses.
- 4) Balance Sheet - sets out the financial position of the Council at 31 March 2008, including the balances and reserves at the Council's disposal and the net fixed and current assets employed in the delivery of services.
- 5) Cash Flow Statement - summarises the inflows and outflows of cash for both revenue and capital purposes.
- 6) Notes to financial statements numbered 1) to 5) above.
- 7) Collection Fund and associated notes - shows the total local taxation transactions in relation to business rates and council tax.

1.2.3 At **[Annex 1]** is an explanatory note, an overview, to accompany the Statement of Accounts. Furthermore, at **[Annex 2]** is a checklist certified by the Director of Finance in support of assertions made in the Statement of Responsibilities for the Statement of Accounts.

1.2.4 Members will note that, in accordance with the Accounts and Audit Regulations, and in my role as the Council's responsible financial officer, I have certified that the Statement of Accounts presents fairly the financial position of the Council as at 31 March 2008.

1.2.5 The Statement of Accounts is subject to external audit and the Audit Commission is due to commence the audit of the Accounts week commencing 7 July 2008.

### **1.3 Accounts and Audit Regulations 2003**

1.3.1 The Accounts and Audit Regulations require:

- The Council's responsible financial officer, to certify that the Statement of Accounts presents fairly the financial position of the Council as at 31 March 2008 and its income and expenditure for the year ended 31 March 2008.
- The Accounts to be approved by the 30 June.
- Authorities to have in place a sound system of corporate governance and that an Annual Governance Statement is included within the Statement of Accounts. The Annual Governance Statement should be signed by the most senior officer and senior member of the Council. The Annual Governance Statement can be found within the Statement of Accounts on pages 50 to 55.
- That following the approval of the Statement of Accounts by the relevant Committee, the Chairman of the receiving Committee signs and dates the Statement of Accounts.

### **1.4 Statement of Auditing Standards**

1.4.1 Our External Auditor (the District Auditor) is required by the Audit Commission's statutory Code of Practice for Local Government bodies to issue a report to those charged with governance covering, amongst other things, the outcome of the audit of the Accounts. Under the Council's constitutional arrangements it is the General Purposes Committee that will receive this report. The report is expected to be presented to the General Purposes Committee meeting in September 2008.

### **1.5 Revenue and Capital Outturn 2007/08**

1.5.1 At the time of writing this report, Cabinet, at its meeting on 18 June, is due to receive a joint report on the Revenue and Capital Outturn for the year 2007/08. That report and the associated Outturn Booklet contain details of variations between the 2007/08 revised estimates and outturn.

1.5.2 In that report, Cabinet is invited to endorse setting aside the grant to be received under the Local Authority Business Growth Incentive Scheme for 2007/08 to meet the upfront costs of the senior management restructure approved by the General Purposes Committee on 3 April 2008.

1.5.3 In addition, to endorse the return of the following earmarked reserves to the General Fund:

- Contract Performance      £45,000
- Hospitality                      £1,000
- Road Closures (part of)      £27,000

and to endorse the setting aside of funds in the following earmarked reserves:

- Building Repairs                      £45,000
- Civic Ceremonies                      £20,000
- Crime and Disorder Initiatives      £30,000
- Snodland Partnership                  £16,000
- Street Scene Initiatives              £7,000
- Young Persons Initiatives              £30,000

1.5.4 Due to the timing of the Cabinet meeting it has been necessary to reflect these adjustments in the Statement of Accounts prior to Cabinet's consideration of them.

1.5.5 **[Annex 3]** provides details of movements on the special projects reserve, other earmarked reserves and minor revenue adjustments agreed by the Director of Finance during the closedown process.

## **1.6 Legal Implications**

1.6.1 There are a number of legislative requirements to consider in the preparation and publication of the Statement of Accounts which will be addressed as we move through the closedown process.

## **1.7 Financial and Value for Money Considerations**

1.7.1 As set out above.

## **1.8 Risk Assessment**

1.8.1 The Statement of Accounts is a statutory document; therefore failure to prepare and publish the Accounts in accordance with proper accounting practice and within the statutory timescale could adversely impact on our Use of Resources assessment.

## **1.9 Recommendations**

1.9.1 To note and endorse the Statement provided by the Director of Finance **[Annex 2]** in support of assertions made in the Statement of Responsibilities for the Statement of Accounts.

- 1.9.2 To note and endorse the adjustments and contributions in respect of the special projects reserve and other earmarked reserves as set out in **[Annex 3]**.
- 1.9.3 To make such recommendations, as the Committee considers appropriate, to the General Purposes Committee for its meeting on 26 June.

Background papers:

Nil

contact: Neil Lawley  
Paul Worden

Sharon Shelton  
Director of Finance