

Committee: FULL COUNCIL
Date: 31 July 2007
Title: Statement of Accounts 2006/07

Agenda Item

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Summary

1. This report presents the Council's draft Statement of Accounts for 2006/07 and gives a summary of the outturn compared to budget. This report is brought to Full Council following the temporary suspension of the final accounts process which should have culminated in the Statement of Accounts being presented to the Operations Committee on 28th June 2007.

Recommendations

2. The Full Council is recommended to approve the draft Statement of Accounts for the financial year ended 31 March 2007, subject to audit.

Background Papers Background Papers

3. 2006/07 Final Accounts working papers.

Impact

Communication/Consultation	The temporary suspension of the final accounts process was confirmed to the media in a press release. This report is a public document and is therefore freely available.
Community Safety	There are no specific community safety implications contained in this report
Equalities	There are no specific equalities implications contained in this report
Finance	The Statement of Accounts represent a key indication of the Council's financial health
Human Rights	There are no specific human rights implications contained in this report
Legal implications	The Statement of Accounts has to comply with the legal requirements relating to the Council's finances
Ward-specific impacts	There are no specific ward implications contained in this report
Workforce/Workplace	There are no specific workforce/workplace implications contained in this report

Situation

4. The Accounts and Audit Regulations 2003 set out the requirements for the production and publication of the annual Statement of Accounts. The Regulations require Authorities to approve the 2006-07 draft Statement of accounts (subject to Audit) before 30th June. The Council has failed to meet this deadline and can expect adverse comment from the Audit Commission in the Use of Resources Assessment due to be published in December 2007.
5. Following the delay in the process this meeting of the Full Council was identified as the appropriate meeting to approve the Council's Statement of Accounts, subject to audit. The draft Statements are attached to this report.
6. Prior to this approval, the Leader of the Council, the Chief Executive and the Chief Financial Officer have signed the Statement on Systems of Internal Control, and the Chief Financial Officer has signed the Balance Sheet and a statement certifying that the accounts present fairly the Council's financial position. After the meeting, the Leader of the Council will be asked to sign to say that the Full Council approved the draft accounts.

Audit of the Statements

7. The Council's external auditors, the Audit Commission, will commence their work reviewing the Accounts in August and will present their opinion on the Accounts to the meeting of the Performance Select Committee on 27th September. For twenty working days during August and September the accounts and other specified documents will be open for inspection by the public, meaning that documents can be examined and questions asked.

Reason for the suspension of the Statement of Accounts Process

8. The Director of Resources as Chief Financial Officer decided to suspend the final accounts process during the morning of 26th June. This was two days before the accounts were due to be considered by the Operations Committee and it was apparent that:
 - The accounts were very unlikely to be finalised in time
 - Members of the Committee would have very little time, if any, to consider such a key document that they were being asked to approve
 - The Council's financial position as reflected in the accounts had slipped from the position that had been projected previously at the meetings of the Full Council in a way that could not be satisfactorily explained. In particular the Financial Management Reserve had been exhausted.
9. Appendix 1 to this report provides both an summary of outturn compared to budget and an analysis of the problems in relation to the Council's February 2007 budget setting process, which lead to the situation identified while finalising the accounts.

10. Bedford Borough Council was asked to undertake a brief examination of the analysis undertaken internally. The idea was to give members and the public additional reassurance regarding the accounts. In practice, although Bedford has been provided with information about the Council’s budget and accounts it has not been possible to simultaneously answer their questions while also working on the final accounts themselves. What is proposed therefore is that Bedford be supplied a copy of this report, which will itself answer several of their questions and that other issues will be explained to them before the meeting of the Full Council. Any issues that they express unhappiness with will be reported at that meeting. In practice, the key issue is that the Director of Resources, as Chief Financial Officer is now prepared to certify the accounts as fairly presenting the Council’s financial position as at 31st March 2007, which was not the case when the accounts process was suspended. Members are also reminded that these are draft accounts, subject to external audit.

Budget Outturn

11. The actual net spending was £770,000 above the original budget. Appendix 1 provides a full analysis. This compares with the reported overspend on the revised budget of £700,000. This however does not reveal the worsening position of the Council’s reserves. This is explained in Appendix 1.

2007/08 Budget Implications

12. Bearing in mind that rigorous external audit of the accounts will commence shortly, the role that Bedford was always envisaged as being able to contribute to in the most effective way was in a re-examination of the 2007/08 budget. It is clear from Appendix 1 to this report that there are several issues that need to be examined in relation to the 2007/08 budget. The plan is that, with Bedford’s external validation, the 2007/08 budget is examined for potential errors and re-stated at the Operations Committee on 20th September. This will clarify whether any additional shortfall or indeed surplus exists within the overall budget. This meeting will also include a comprehensive budgetary control report looking at expenditure and income to date in detail, including the more challenging targets within the budget, such as staff turnover, procurement savings, restructuring savings and organisational re-engineering savings. Members are reminded that these savings targets have been divided up amongst accountable officers to achieve and that regular information and advice is available to those officers to enable them to monitor progress.

Risk Analysis

Risk	Likelihood	Impact	Mitigating Actions
That the draft Statement of Accounts contains material errors	LOW, as the matters that were of concern at the time the process was suspended have now been clarified.	HIGH	The SORP has been followed closely as part of the year end process