



GREAT YARMOUTH
BOROUGH COUNCIL

ADDITIONAL PAPERS

for the

COUNCIL

28 June 2007
at 7.00 pm

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COUNCIL

28 June 2007

ADDITIONAL PAPERS

(e) **Draft Statement of Accounts 2006/07**

... The draft Accounts of 2006/07 are attached (pages 43 - 46).

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Subject: **Draft Statement of Accounts**
Report to: **Council 28th June 2007**
Report by: **Interim Head of Financial Services**

DECISION REQUIRED:

- To consider this report and approve the pre-audit Statement of Accounts for 2006/07 that is required before the statutory deadline of 30th June 2007.

1. INTRODUCTION AND BACKGROUND

- 1.1 In accordance with the Accounts and Audit Regulations 2003, the draft annual accounts for 2006/07 must be approved before the end of June.
- 1.2 The aim of the regulations in requiring Member approval of the draft accounts is to bring the accounts into the public arena for reasons of public accountability and to demonstrate corporate ownership. It also instills confidence in the Council's arrangements for financial management and the process by which accounting records are maintained and the Statement prepared. In this context, approval means that Members:
 - Gain a broad understanding of the content of the accounts; and
 - Are satisfied that they are consistent with other financial information provided.
- 1.2 It is not the intention of the regulations that Members should undertake a detailed examination of the accounts as these responsibilities rest with the Head of Financial Services and the Audit Commission as accountants and auditors respectively. Detailed consideration of financial performance for both revenue and capital outturn will be undertaken by Cabinet in July, together with a review of the Council's reserves and balances, and the Housing Revenue Account. The Audit & Risk Committee will also review the position in September. This will help to re-position the 2007/08 Budget and MTFS by drawing attention to recurring over/under spends, etc.
- 1.3 This is the second year where the deadline for presentation of the accounts has been brought forward to 30th June. This has placed considerable pressure on the accounts closure process even compared with last year due to:

- Staff capacity;
- Resolving issues raised by the Audit Commission in their 2005/06 Governance Report;
- Dealing with changes in the Code of Practice on Local Authority Accounting in the UK (2006).
- Difficulties in preparing accounts on an outdated system where large elements of the process are manually driven; and
- The impact of competing demands during the closure period, e.g. implementation of new Financial Management System (Integra) from 1st April 2007.

1.4 Therefore, it has not been possible to complete all the detailed statements and supporting notes in time for consideration by Members at this time. In accordance with the Statement of Recommended Practice, we have prepared a summarized version containing the core statements. A background paper providing further commentary on some of the main areas within the Statement of Accounts will be made available to Members during July. In particular, it will not be possible to complete the Cash Flow Statement until all other statements have been finalized. It is now being worked on and will be available for audit and included in the document submitted to Members following the audit.

2. 2006/07 ACCOUNTS

2.1 Five key statements are attached to this report:

- **Appendix A Statement of Responsibilities** – this sets out the respective responsibilities of the Authority and the Head of Financial Services with the latter being responsible for ensuring the accounts are prepared in accordance with proper practice and are a fair reflection of the financial position as at 31st March 2007;
- **Appendix B Income and Expenditure Account and Statement of Movement of General Fund Balance** – These summarise revenue spending and income in the year on all the activities of the Council, including the Housing Revenue Account. After taking account of funding from Council Tax and Government grant and other statutory requirements, the year end balance is shown. It is important that these two statements are considered together because the position shown on the Income and Expenditure Account alone does not fully reflect the overall position; this is only revealed in the Statement of Movement on General Fund Balance. In order to give a full presentation of the financial performance during the year, the outturn on the Income and Expenditure Account has to be reconciled to the balance established by the relevant statutory provisions;
- **Appendix C Balance Sheet** – This statement summarises the Council's financial position as at 31st March. It shows balances,

reserves, tangible assets and current assets employed in operations plus the long term borrowing position and the net worth of the Council. Detailed supporting notes form part of the Statement of Accounts;

- **Appendix D Collection Fund** – this shows the transactions of the billing Authority in relation to Council Tax and non-domestic rates and illustrates the way in which these have been distributed to preceptors (Norfolk County Council, Norfolk Police Authority) and the General Fund; and
- **Appendix E Housing Revenue Account** – there is a statutory obligation to maintain a separate revenue account for local authority housing provision. It has two elements: the income and expenditure account and the statement of movement on the housing revenue account balance. It includes income from rents, charges for services, government subsidy, etc. This is used to cover expenditure on repairs and maintenance, supervision and management, depreciation of fixed assets and other charges and additional items, etc. It also includes the balances brought forward and carried forward.

2.2 The Statement of Accounts also includes a Statement on Internal Control which sets out the Council's arrangements for corporate governance, risk management and internal control. This is included as a separate item on the agenda for this meeting. The Statement of Accounts has been prepared within this framework.

3. EXTERNAL AUDIT (AUDIT COMMISSION)

3.1 The final accounts audit is scheduled to commence on 6th August and the Audit Commission will report to Cabinet in September. This will address any matters arising from the audit and comment on the proposed audit opinion so as to enable the audited Statement of Accounts to be published by 30th September, the statutory deadline.

4. PUBLIC INSPECTION

4.1 The accounts will be open for public inspection between 9th July and 3rd August. A public inspection notice was placed in the local press on 21st June. During this period, our staff will be available to provide information and respond to queries raised.

5. FINANCIAL IMPLICATIONS

5.1 The approval of the Statement of Accounts meets a statutory requirement for financial reporting and is an important part of the process to demonstrate accountability in the use of public funds.

Does this report raise any legal, risk management, financial, sustainability, equality, crime and disorder or human rights issues and, if so, have they been considered?	Issues:	
	Legal	No
	Risk Management	No
	Financial	Yes – covered in the report
	Sustainability	No
	Equality	No
	Crime and Disorder	No
	Human Rights	No

M. Gorringer, Interim Head of Financial Services

Statement of Accounts 2006/07

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**STATEMENT OF RESPONSIBILITIES FOR THE
STATEMENT OF ACCOUNTS**

The Authority's Responsibilities

The Authority must:

- Make arrangements for the proper administration of its financial affairs and make one of its officers responsible for the administration of those affairs. In this Authority, that officer is the Head of Financial Services.
- Manage its affairs to bring about economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts.

I confirm that these accounts were considered and approved by Council at the meeting held on 28th June 2007.

Signed on behalf of Great Yarmouth Borough Council
Councillor Paul Garrod
Mayor and Chair of the meeting approving the accounts
Date: 28th June 2007

The Head of Financial Services' Responsibilities

The Head of Financial Services is responsible for preparing the authority's statement of accounts under the proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this Statement of Accounts, the Head of Financial Services has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code.

The Head of Financial Services has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps to prevent and detect fraud and other irregularities

Head of Financial Services' Certificate

I certify that the accounts present fairly the financial position of the Council as at 31 March 2007 and the income and expenditure for the year then ended.

Seb Duncan
Head of Financial Services
28th June 2007

Income & Expenditure Account

for the year ended 31 March 2007

Notes	2006/07 Gross Expenditure £000	2006/07 Gross Income £000	2006/07 Net Expenditure £000	2005/06 Net Expenditure £000
Continuing Operations				
Service Plans	93,301	77,291	16,010	14,435
Net cost of Services	<u>93,301</u>	<u>77,291</u>	<u>16,010</u>	<u>14,435</u>
(Gain) / Loss on the disposal of Fixed Assets			1,004	0
Net Surplus from Trading Accounts			(106)	(143)
Pension back funding			694	544
Pensions interest cost and expected return on Pension assets			(40)	630
Precepts and Levies			215	198
InteGreat Deferred Charges			5,360	4,249
Reduction in bad debt provision			(52)	0
Interest & Investment Income			(372)	(504)
Interest payable and similar charges			438	510
Prior Year adjustment - unclaimable VAT			22	0
Lease / Leaseback - Marina Centre			0	200
Item 10 transfer from HRA			0	(162)
PWLB Premium - LOBO			<u>224</u>	<u>0</u>
Net Operating Expenditure			<u>23,397</u>	<u>19,957</u>
Demand on Collection Fund			(3,925)	(3,722)
Transfer from Collection Fund			(19)	0
Parish Precept			(215)	(198)
General Government Grants:				
Revenue Support Grant			(1,556)	(5,857)
LABGI Grant			(611)	(255)
Non Domestic Rates Redistribution			<u>(8,197)</u>	<u>(2,660)</u>
(Surplus) / Deficit for the year			<u>8,874</u>	<u>7,265</u>

Statement of Movement on the General Fund Balance for the year ended 31 March 2007

The Income and Expenditure Account shows the council's actual performance in the year, measured in terms of the resources consumed and generated over the year. However the authority is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss on the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	2006/07 Net Expenditure £000	2005/06 Net Expenditure £000
(Surplus) / Deficit on Income & Expenditure Account	8,874	7,265
Net additional amount required by Statute and Non-Statutory proper practices to be debited or credited to the General Fund Balance for the year (see note on next page for analysis)	<u>(9,769)</u>	<u>(7,045)</u>
Increase in General Fund Balance in the year	(895)	220
General Fund Balance brought forward	(1,085)	(1,305)
General Fund Balance carried forward	<u><u>(1,980)</u></u>	<u><u>(1,085)</u></u>

Note of reconciling items for the Statement of Movement on the General Fund Balance

Notes	2006/07 Net Expenditure £000	2005/06 Net Expenditure £000
Amounts included in the Income & Expenditure Account but required by Statute to be excluded when determining the Movement on the General Fund Balance for the year		
Depreciation / Impairment of Fixed Assets	(2,336)	(2,084)
Government Grants Deferred amortisation	638	493
Write down of Deferred Charges	(1,444)	(1,292)
Write down of Deferred Charges - Integreat	(5,360)	(4,249)
Net gain / loss on sales of Fixed Assets	(1,004)	0
Net charges for retirement benefits under FRS 17	<u>(4,630)</u>	<u>(4,450)</u>
	<u>(14,136)</u>	<u>(11,582)</u>
Amounts not included in the Income & Expenditure Account but required to be included by Statute when determining the Movement on the General Fund Balance for the year		
Minimum Revenue Provision for capital financing	682	439
Capital Expenditure charged to General Fund Balance	0	51
Employer's contributions to Pension Fund	<u>4,670</u>	<u>3,820</u>
	<u>5,352</u>	<u>4,310</u>
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
Housing Revenue Account Balance	(311)	230
Voluntary Minimum Revenue Provision	0	0
Net transfer to / from Earmarked Reserves	<u>(674)</u>	<u>(3)</u>
	<u>(985)</u>	<u>227</u>
Net additional amount required to be credited to the General Fund Balance for the year	<u><u>(9,769)</u></u>	<u><u>(7,045)</u></u>

Statement of Total Recognised Gains & Losses

for the year ended 31 March 2007

	2006/07 Net Expenditure £000	2005/06 Net Expenditure £000
Notes		
(Surplus) / Deficit on Income & Expenditure Account	8,874	7,265
(Surplus) / Deficit on revaluation of Fixed Assets	1,004	-
Actuarial Gains & Losses on Pension Fund Assets & Liabilities	(6,360)	(330)
Other Gains & Losses recognised in STRGL: Movement on the Collection Fund Balance	96	(356)
Total Recognised (Gains) / Losses in the year	<u>3,614</u>	<u>6,579</u>

Balance Sheet

as at 31 March 2007

	31 March 2007			31 March 2006
	£000	£000	£000	£000
Fixed Assets		661		599
Intangible Assets				
Operational assets				252,387
Council Dwellings		269,500		24,701
Other land & buildings		24,289		2,537
Vehicles, Plant & Equipment		4,368		11,332
Infrastructure Assets		11,686		4,707
Community Assets		3,336		34,319
Non operational Assets		<u>32,586</u>		<u>330,582</u>
		346,426		31
Mortgages		28		404
Long Term Debtors		-		<u>331,017</u>
Total Long Term Assets		<u>346,454</u>		
Current Assets				
Investments	4,855		6,260	
Stocks and Work in Progress	46		43	
Debtors	14,808		9,468	
Cash in hands of officers and agents	204		284	
Cash at bank	-		-	
	<u>19,913</u>		<u>16,055</u>	
Current Liabilities				
Loans repayable within 12 months	(157)		(131)	
Creditors	(12,592)		(10,201)	
Capital Grants/Capital Contributions Reserve	-		-	
Cash Overdrawn	(3,494)		(2,241)	
	<u>(16,243)</u>		<u>(12,573)</u>	
Net Current Assets / (Liabilities)		<u>3,670</u>		<u>3,482</u>
Total Assets less current liabilities		<u>350,124</u>		<u>334,499</u>
Longer Term Borrowings	(29,604)		(24,691)	
Deferred liabilities	(961)		(1,002)	
Deferred capital receipts	-		(3)	
Other Deferred income	(1,068)		(1,082)	
Long term creditors	(496)		-	
Provisions	-		-	
Pensions Liability	(20,500)		(26,900)	
	<u>(29,604)</u>		<u>(26,900)</u>	
Total Assets Less Liabilities		<u>297,495</u>		<u>280,821</u>
Reserves				
Deferred Credits		-		-
Fixed Asset Restatement Account		240,239		237,646
Capital Financing Account		61,890		52,708
Government Grants Deferred		7,964		7,417
Usable Capital Receipts Reserve		1,880		2,161
Major Repairs Reserve		870		1,883
Earmarked reserves		837		2,492
Revenue Fund Balances and Reserves		4,315		3,827
Premiums on debt repayments		-		(413)
Pensions Reserve		(20,500)		(26,900)
		<u>297,495</u>		<u>280,821</u>
Total Net Worth		<u>297,495</u>		<u>280,821</u>

28 June 2007

P Garrod
Mayor and Chair of meeting
Great Yarmouth Borough Council

Seb Duncan, ACA
Section 151 Officer
Head of Financial Services

The Collection Fund Income and Expenditure Account

for the year ended 31 March 2007

	Notes	2006/07 £000	2005/06 £000
Income:			
Income from Council Tax	2	31,877	30,390
Transfer from General Fund:			
Council Tax Benefits	3	7,997	7,390
- Less amounts written-off		(295)	(76)
Income collectable from business ratepayers	4	24,585	23,871
Total Income		64,164	61,575
Expenditure:			
Precepts and demands			
Norfolk County Council		30,815	29,073
Norfolk Police Authority		4,730	4,423
Great Yarmouth Borough Council		4,139	3,920
Business rates			
Payment to national pool		24,396	23,682
Cost of collection allowance		189	189
Bad and doubtful debts			
Write offs	6	0	0
Change in bad debt provision	6	(28)	(68)
Share of previous years'			
Collection Fund surplus / (deficit)	5	19	0
Total Expenditure		64,260	61,219
Deficit/(Surplus) for Year		96	(356)
Collection Fund Balance			
At the start of the year		727	371
(Deficit)/Surplus for year		(96)	356
Balance at Year End	7	631	727

Housing Revenue Account Income and Expenditure Account

	Notes	2006/07 £	2005/06 £ [Re-stated]
INCOME			
1 Dwelling Rents (gross)		(15,102,266)	(14,539,093)
2 Non-Dwelling Rents (gross)		(153,856)	(150,007)
3 Charges for Services and Facilities		(243,812)	(556,423)
4 Contributions towards expenditure		(8,162)	(38,542)
5 Reduced Provision for bad or doubtful debts		0	0
6 Positive Subsidy receivable (including MRA element)		0	0
7 Other sums as directed by SoS as income in accordance with UK GAAP		0	0
		<u>(15,508,096)</u>	<u>(15,284,065)</u>
EXPENDITURE			
8 Repairs and Maintenance		6,440,057	5,625,622
9 Supervision and Management		3,775,650	3,748,086
10 Rents, Rates, taxes and other charges		20,064	8,316
11 Negative HRA Subsidy payable to DCLG (including MRA element)		675,355	977,731
12 Increased Provision for Bad or Doubtful Debts		69,795	94,100
13 Depreciation Fixed Assets - Dwellings		3,787,228	3,782,550
14 Depreciation Fixed Assets - Other Assets		34,998	34,998
15 Impairment of Fixed Assets		0	0
16 Debt Management costs		50,559	72,674
17 Other sums as directed by SoS as expenditure in accordance with UK GAAP		0	0
		<u>14,853,706</u>	<u>14,344,077</u>
		<u>(654,390)</u>	<u>(939,988)</u>
18 Net cost of HRA Services per authority Income and Expenditure Account			
19 HRA services share of corporate and democratic core		0	0
20 HRA share of other amounts inc in net cost of servs		36,969	35,867
		<u>(617,421)</u>	<u>(904,121)</u>
21 Net cost of HRA services			
22 (Gain) or Loss on sale of HRA fixed assets		0	0
23 Interest payable and similar charges		818,734	826,288
24 Amortisation of premiums and discounts		182,892	0
25 Interest and investment income		(75,553)	(120,439)
26 Pension interest cost and expected return on pension assets		0	0
		<u>308,652</u>	<u>(198,272)</u>
27 (Surplus) or Deficit for the year on HRA services			

Housing Revenue Account Statement of movement on the HRA Balance

	Notes	2006/07 £	Re-stated 2005/06 £
(Surplus) or Deficit for the year on the HRA Income and Expenditure account		308,652	(198,272)
Net additional amount required to be debited or (credited) to the HRA		2,771	(32,333)
(Increase) or Decrease in the Housing Revenue Account balance		311,423	(230,605)
Housing Revenue Account - balance brought forward		(2,015,074)	(1,784,469)
Housing Revenue Account - balance carried forward		(1,703,651)	(2,015,074)

Note of reconciling items for the Statement of Movement on the HRA Balance

Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the movement on the HRA Balance for the year.

Government Grants Deferred Amortisation	0	0
Write Down Deferred charges	0	0
Net gain / loss on fixed assets	0	0
Net charges for retirement benefits under FRS17	0	0

Amounts not included in the HRA Income and Expenditure account but required to be included by Statute when determining the Movement on the HRA Balance for the year.

Capital expenditure funded by the HRA	2,771	2,665
Transfer to / (from) Major Repairs Reserve	0	(34,998)
Employer's contributions to Pension Fund	0	0
Net additional amount required to be Debited or (Credited) to the HRA	2,771	(32,333)

Major Repairs Reserve

	Notes	2006/07 £000s	Re-stated 2005/06 £000s
Income			
Depreciation on fixed assets			
- Dwellings (= MRA)		(3,787,228)	(3,782,550)
- Other assets		(34,998)	(34,998)
<hr/>			
Sub-total		(3,822,226)	(3,817,548)
Expenditure			
Depreciation on other fixed assets (i.e. non-dwellings)		34,998	34,998
Capital expenditure funded from MRA		4,800,000	4,088,939
Repayment of debt (Principal only)		0	35,867
Meeting certain liabilities incurred under credit arrangements		0	54,137
<hr/>			
Sub-total		4,834,998	4,213,941
<hr/>			
(Surplus) / Deficit for the year		1,012,772	396,393
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