

**BABERGH DISTRICT COUNCIL**

**FROM: Head of Finance**

**REPORT NUMBER    **G31****

**TO: COUNCIL**

**DATE OF MEETING: 26 June 2007**

**STATEMENT OF ACCOUNTS 2006/07**

**1    PURPOSE OF REPORT**

To provide an overview and details of Babergh's spending in 2006/07 compared to the approved budget, the use of budgets not spent at the end of the year and other key financial information.

**2    RECOMMENDATIONS**

- 2.1 That the Statement of Accounts for 2006/07, subject to audit, as set out in Appendix 1, be approved.
- 2.2 That the Head of Finance be authorised to make amendments to the accounts to improve the presentation and format where this is appropriate and to reflect any further external audit requirements.
- 2.3 That Treasury Management performance for 2006/07, as set out in Appendix 5, be noted.
- 2.4 That the budget carry-forwards requiring Member approval under financial regulations, as set out in Appendix 3, be approved.
- 2.5 In addition that Strategy Committee consider the potential use of up to £303,000 of the 2006/07 General Fund underspend for the purposes detailed in Appendix 4 of the report.
- 2.6 That the Overview & Scrutiny (Stewardship) Committee scrutinises this report and the expenditure variations, ensuring that the impact of the 2006/07 financial results on current and future budgets, specifically in relation to potential ongoing savings, is fully considered during the forthcoming Service & Financial Planning process.

**3    FINANCIAL IMPLICATIONS**

- 3.1 The lower General Fund net expenditure in 2006/07 compared to budget is available for current/future corporate priorities or to be added to the reserves. After allowing for budget carry forward proposals for service priorities and activities undertaken in 2006/07 that are to be completed in 2007/08, the net underspend of £375,000 represents less than 4% of the total net revenue budget.
- 3.2 If Members agree to the use of £303,000 of this (as detailed in Appendix 3), that will result in a £72,000 addition to reserves for future use.

- 3.3 The outturn position on the Housing Revenue Account (HRA) shows a net increase in expenditure compared to the budget of just over £232,000. However, after allowing for the HRA financing element of the capital programme (brought forward from the current year), the real variation is £191,000. It is proposed that:
- Capital and revenue repairs and maintenance spending plans for this year, which total over £5m, are reduced by £100,000, and
  - The remaining £91,000 can be met from reserves, given that the 2005/06 outturn was £134,000 better than anticipated
- 3.4 Pro-active management of the HRA capital programme in terms of bringing work forward from this year in some areas and accelerating spending plans, has resulted in net additional spend of £288,000 compared to the revised budget. This is not a problem as it will be fully compensated for by less spending in the current year.
- 3.5 Despite similar efforts on managing the General Fund capital programme, again by bringing forward schemes from this year, there were still some shortfalls against the original spending plans for the year and the revised budget. Most of this will be spent in the current year. The Overview & Scrutiny (Stewardship) Committee will continue to examine ways of strengthening and improving the formulation and management of current and future spending plans.

#### **4 RISK MANAGEMENT**

- 4.1 The risks associated with this report link to the Council's Significant Business Risk No. 7 – Financial, Performance & Risk management. The key risks are:

<b>Risk Description</b>	<b>Likelihood</b>	<b>Seriousness or Impact</b>	<b>Mitigation Measures</b>
The accounts receive a poor or qualified opinion from the External Auditor	Low	Marginal	Although there are some major changes this year, the accounts have been prepared in accordance with the latest accounting codes and practices.
Performance, service quality or the delivery of specific projects suffers as a result of underspends	Low	Marginal	Approval to carrying forward and using unspent budgets in key areas and on corporate priorities
There are ongoing shortfalls/underspends in future years	Significant	Marginal	Overview & Scrutiny Committees scrutinise as part of the annual Service & Financial Planning process

## **5 KEY INFORMATION**

- 5.1 The Statement of Accounts provides a comprehensive and detailed view of the accounts and its key components. Every year the statement is updated for any changes to accounting practices required by the accounting governing bodies and contained in the Statement of Recommended Practices (SORP).
- 5.2 This year's accounts have been subject to some significant changes in the way they are prepared and presented. There are notes in the explanatory foreword and within the statement providing explanations on these changes. The aim is to put local authority accounts on a similar footing to private companies.
- 5.3 The key financial issues have been summarised here to provide a high level view of the Council's financial standing and performance for the year in terms of variations against the approved budget. Summary financial information will be published in due course. We will also look to improve the presentation and format of the overall statement before it is published later in the year.
- 5.4 There is also a requirement for Members to consider performance on Treasury Management for the year – Appendix 5 provides a summary of activities.

### **General Fund**

- 5.5 Babergh's revised net budget for the year was set at just over £9.9 m. This represents the net cost of services taking into account income from fees and charges, specific Government grants and other items.
- 5.6 The outturn revenue position shows an underspend/saving of £789,000 compared to the revised budget. Appendix 3 provides a high level view of the most significant variances compared to budget.
- 5.7 Heads of services have requested budget carry forwards of £414,000 in relation to service priorities and activities not fully undertaken in 2006/07, but which will be completed in 2007/08. A summary is provided in Appendix 4. Members are asked to consider and approve those items.
- 5.8 In addition, Appendix 4 indicates corporate priority areas where a further £303,000 could be allocated. It is suggested that the Strategy Committee considers these and determines whether these should be supported.
- 5.9 Members will be updated with the progress made on all approved activities through quarterly monitoring and reporting arrangements. Any ongoing savings against budget will be reviewed and assessed as part of the Service & Financial Planning and closer budget monitoring processes.

### **Housing Revenue Account**

- 5.10 Housing repairs expenditure for 2006/07 has exceeded the overall budget by £322,000. The major areas of overspend arose on reactive repairs, void properties and dampness & condensation. There are some compensating savings elsewhere in the HRA.

- 5.11 Overall, however, more will need to be taken from HRA reserves to meet the additional cost. Most of this will be recovered in the current year, partly as a result of the lower capital expenditure in 2007/08 by bringing forward £41,000 to 2006/07 and partly by slightly reducing the current year's capital and revenue spending plans of over £5m.
- 5.12 The aim will be to reduce the net additional cost to £91,000 by the end of the current financial year - 2007/08.

### **Capital Expenditure**

- 5.13 The Council's revised capital budget was set at £5.285 m. The final capital spends for the year was £5.396 m. The expenditure for the year included £380,000 brought forward from the 2007/08 programme.

### **Other Issues**

- 5.14 A number of other issues are covered in the explanatory foreword to the accounts (see pages 2-9). Members are asked to note the position on reserves, the Pension Fund and revenue collection rates for the year. An update on the Pension Fund will be provided for members later this year following the completion of the latest actuarial valuation.
- 5.15 The Statement on Internal Control has been considered by the Overview & Scrutiny (Stewardship) Committee and reviewed by a small Member Group, who have considered the evidence supporting it.
- 5.16 Measures to address and manage down the risks of future year-end spending variations should be considered by the Overview & Scrutiny (Stewardship) Committee as part of the Service & Financial Planning process in relation to HRA and capital programme.

## **6 APPENDICES**

- 1 – Statement of Accounts 2006/07
- 2 – Significant Budget Variances
- 3 – Budget carry forward proposals
- 4 – Capital Programme carry forwards
- 5 – Treasury Management Review

## **7 BACKGROUND PAPERS REFERRED TO:**

None.

**CONTACT:** Barry Hunter, Head of Finance **DIRECT LINE:** 01473 825819