

**Subject:** Statement of Accounts 2007-2008      **Status:** For Publication

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**Report to:** Accounts Committee      **Date:** 30<sup>th</sup> June 2008

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**Report of:** The Head of Financial Service

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**Portfolio**

**Holder:** Finance and Resources

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**Key Decision:** Yes / No

Forward Plan       General Exception       Special Urgency

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**1. PURPOSE OF REPORT**

1.1 The purpose of the report is to seek Member approval of the Statement of Accounts for the year ended 31<sup>st</sup> March 2008. The Council has a statutory duty to approve the Accounts by 30<sup>th</sup> June 2008 and to present to the external auditor for audit. (*The Annual Report portion of this document will be prepared and presented to this committee along with the audited Accounts on the 30<sup>th</sup> September 2008*).

**2. CORPORATE PRIORITIES**

2.1 The matters discussed in this report impact directly on the following corporate priorities and associated corporate objective.

- Well Managed Council (Improvement, Community Network)  
*The Statement of Accounts shows an improving financial position as demonstrated by the level of cash-back Earmarked Reserves and General Fund Reserves.*

**3. RISK ASSESSMENT IMPLICATIONS**

3.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- *Level of General Fund Reserves:* The Council must set a level of General Fund reserves based on an assessment of potential risk which the council is exposed to. The Council, through its Medium Term

Financial Strategy, has made the assessment that the level of General Fund balances should be in the region of £500k to £750k. The General Fund Balance at the 31<sup>st</sup> March 2008 was £813k. Of this £63k is attributable to services in the coming year under the “roll-over of un-used budget” provisions. This £63k must be used for specific one-off revenue projects which do not incur an on-going revenue burden.

- *Contingent Assets and Liabilities:* An assurance will be submitted to the Members at the Committee to confirm the current position with regards to Contingent Assets and Liabilities.
- *External Audit:* The Councils accounts are still subject to final audit by the District Auditor. Final audited accounts will be submitted to this same committee on 30<sup>th</sup> September 2008.

#### 4. BACKGROUND AND OPTIONS

- 4.1 The draft Statement of Accounts for 2007/08 is attached as Appendix 1.
- 4.2 There have been some changes to reserves since the outturn report to Cabinet in May. Over all these changes have been to improve the Councils total reserves position. Appendix 2 shows a reconciliation between the statutory Income & Expenditure Account, the Operational Out-turn on page 22 of the Statement and the forecast out-turn reported in May.
- 4.3 As in previous years the accounts show a continuing improvement of the Councils financial position during 2007/08.
- 4.4 The Balance Sheet (and Note 32 to the Core Statements) shows the following balances as at 31<sup>st</sup> March 2008:
- GF £813k
  - Collection Fund £ 17k
  - Total Fund Reserves and Balances £830k
- 4.5 The Balance Sheet (and Note 31 to the Core Statements) shows the following Earmarked Reserves as at 31<sup>st</sup> March 2008:

<b>Earmarked Reserves</b>	<b>Balance 31st March 2007</b>	<b>Income (including HRA transfer)</b>	<b>Expenditure</b>	<b>Balance 31st March 2008</b>
Transport Reserve	645			645
Change Management Reserve	141	736	(216)	661
Budget Volatility Reserve	100	201	(129)	172
IT Reserve	500	56	(186)	370
Pension Fund Reserve	184	212		396
Performance Management Reserve	0	68		68
Regulatory Services Reserve	100	300		400
Economic Regeneration Reserve	661	234	(48)	847
Single Status Reserve	0	980	(111)	869
Health & Wellbeing Projects Reserve	0	156		156
	<b>2,331</b>	<b>2,943</b>	<b>(690)</b>	<b>4,584</b>

- 4.6 After discussions with the District Auditor the VAT receipts attributable to the LSVT of council houses to Greenvale Homes in March 2006 has now been treated as revenue rather than capital. This has given rise to a Prior Year Adjustment to the 2006-2007 comparative figures which was used to create the IT Reserve and Pension Fund Reserve shown above. A full explanation of the effects can be found in Note 1 to the Core Statements.
- 4.7 Capital Receipts reported in May of £2.083m included the VAT shelter receipts from Greenvale Homes which are now treated as Revenue. Consequently the Usable Capital Receipts Reserve reported in Note 30 to the Core Statements includes an additional £78k above the May report to give in-year capital receipts of £1.586m. Of this £12k principal received on pre-1991 council house mortgages has been contributed to the Government's Housing Capital Receipts Pool and £440k has been used to finance capital expenditure. This has left a Useable Capital Receipts Reserve of £1.134m at the 31<sup>st</sup> March 2008. Given the new calculation guidance for Minimum Revenue Provision (which is a charge on Council Tax) these receipts are best retained for meeting future capital expenditure on short-life assets.
- 4.8 The Capital Programme Report at the back of the Statement of Accounts closely matches the report to Cabinet in May at a total spend of £3.864m in the year. Of this £1.028m was on Council-owned assets explained in Note 14b to the Core Statements and £2.836m was projects where the Council did not own any assets, such as the Elevate programme, which is explained at Note 18.
- 4.9 Cash and Liquid Resources – the Investments on the Balance Sheet include higher-rate deposit accounts with 2 high-street banks which have some restrictions on their access, but represent real cash available to the Council. Over all cash resources have increased by £2.044m within the year to £4.058m. The changes in cash and liquid resources can be seen in greater detail in the Cash Flow Statement on page 39. Some statistical analysis of the Council's cash position over recent years is attached at Appendix 3.
- 4.10 The Pension Fund revaluation report has now been received and the changes in assumptions on life expectancy and gilt yields have led the Rossendale Borough Council element of the Fund Liability to increase to £22.9m. Due to previous increases in the employer's contribution rate to 18.1% at April 2007 the current contribution level has been assessed as sufficient to meet this funding deficit over the statutory 22 years target. Further explanations can be found on pages 24, 27, 57 & 58 of the attached Statements.
- 4.11 The Collection Fund is reported separately in the Statement of Accounts and explains how the £372k opening surplus, amassed over the past 3 years, was redistributed to all the precepting authorities, including £68k to Rossendale Borough Council's General Fund account. This can be seen in the Income and Expenditure Account and was subsequently transferred to create a Performance Management Earmarked Reserve to support future achievement incentives offered to Capita in line with the contract.
- 4.12 The Group Accounts shown the consolidation of the Council's accounts with those of Rossendale Transport Ltd and the Trust Funds held and administered

by the Council. The Council's investment in Rossendale Transport Ltd, and the company's performance in 2007/2008 are explained in detail in Note 20 the Core Statements.

- 4.13 Following the Audit Committee Meeting on the 5<sup>th</sup> June 2008, the Annual Governance Statement: Year-ended 31<sup>st</sup> March 2008 has been included in the attached Statement of Accounts (pages 30 to 32). This has previously been circulated to Members of that committee as per the requirements.

## **COMMENTS FROM STATUTORY OFFICERS:**

### **5. SECTION 151 OFFICER**

- 5.1 The financial considerations are included in the main body of the report.
- 5.2 The Statement of Accounts indicates further strengthening of the Council's financial position. General Reserve has exceeded the upper target as a result of operational savings made in 2007/2008. In accordance with the provision for budget roll-over, 50% of real budget savings by services (£63k) has been held within the General Reserve for future one-off revenue projects. This is a positive indication that operational services are continuing efforts to cut costs in the future.

### **6. MONITORING OFFICER**

- 6.1 The Accounts and Audit Regulations 2003 state that the Council is required to approve the Statement of Accounts, prior to external audit, by 30<sup>th</sup> June 2008.

### **7. HEAD OF PEOPLE AND ORGANISATIONAL DEVELOPMENT (ON BEHALF OF THE HEAD OF PAID SERVICE)**

- 7.1 There are no direct Human Resources implications.

### **8. CONCLUSIONS**

- 8.1 That the draft Statement of Accounts, including the Annual Governance Statement: Year-ended 31<sup>st</sup> March 2008, as presented, are fit for Member approval.

### **9. RECOMMENDATION(S)**

- 9.1 That the draft Statement of Accounts as presented, together with any agreed amendments, are submitted for audit by the District Auditor.
- 9.2 That the Statement of Accounts, including the Annual Governance Statement: Year-ended 31<sup>st</sup> March 2008 be put on deposit for public inspection on 11<sup>th</sup> August until 5<sup>th</sup> September 2008 to allow for the regulatory 20 working days before the date appointed for the Public to question the Auditor (11<sup>th</sup> September 2008) or to make objections to the Accounts.

**10. CONSULTATION CARRIED OUT**

10.1 Executive Director of Resources

10.2 Audit Commission

**11. EQUALITY IMPACT ASSESSMENT**

Is an Equality Impact Assessment required ~~Yes~~ / No

Is an Equality Impact Assessment attached ~~Yes~~ / No

**12. BIODIVERSITY IMPACT ASSESSMENT**

Is a Biodiversity Impact Assessment required ~~Yes~~ / No

Is a Biodiversity Impact Assessment attached ~~Yes~~ / No

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Background Papers	
Document	Place of Inspection
Final Accounts working papers	Finance Department, Futures Park, Room 222