



Coventry City Council

# 7.6.1

## Public report

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### Report to

Joint meeting of Scrutiny Board 1 and Audit Sub Group  
Council

25<sup>th</sup> June 2008  
30<sup>th</sup> June 2008

### Report of

Director of Finance and Legal Services

### Title

Statement of Accounts 2007/08

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## 1 Purpose of the Report

- 1.1 The purpose of this report is to seek approval for the 2007/08 Statement of Accounts.

## 2 Recommendations

- 2.1 The Audit Sub Group, Scrutiny Board 1 and Council are recommend to:
- 2.2 Approve the Statement of Accounts for 2007/08 and to authorise the Lord Mayor of the Council to sign them on behalf of the City Council.

## 3 Statement of Accounts

- 3.1 The attached Statement of Accounts provides a set of accounts for the financial year 1<sup>st</sup> April 2007 to 31<sup>st</sup> March 2008 and a range of accompanying notes written to the prescribed format. The Council's auditors, The Audit Commission, will be auditing the statement over the next few months.
- 3.2 Over recent years Members have received information regarding our auditors' key findings from their audit of the 2005/06 and 2006/07 accounts. Their reports highlighted that there were outstanding issues to be resolved in connection with Adjustment A (The A Factor). This matter has delayed the closure of the two years accounts and threatened to have significant financial repercussions for the City Council. Very recently the Government introduced new regulations to eliminate the financial consequences of the previous arrangements. On 31 March 2008: 'The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (Statutory Instrument 2008/414) came into force. Included within those regulations were amendments in respect of Adjustment A and the way that the calculation of the minimum revenue provision should be undertaken in 2005/06 and 2006/07. These changes resolved the outstanding issues so that an unqualified opinion can

now be issued on those two years accounts and the threat of the significant financial consequences has been removed. In line with this, the A Factor should not represent an issue for the 2007/08 or future years accounts.

3.3 The Statement is prepared in accordance with requirements of the Accounting Code of Practice (ACOP), which defines proper accounting practice for local authorities. Last year there was a significant change in how the accounts are presented. The Statement of recommended practice (SORP) 2006 introduced a number of presentational changes which have been brought about by the move to UK Generally Accepted Accounting Policies (UKGAAP) accounting. These changes include replacing the Consolidated Revenue Account with an Income and Expenditure Account and a Statement of Movement on the General Fund. The result of these changes is that the Council's Income and Expenditure Account shows a deficit of £45.2m. This deficit does not reflect the genuine position of the Council's General Fund, which is a break-even position. The difference between the Income and Expenditure Account and the General Fund is explained in Section 4.

3.3 The key elements of the Statement are:

- The Income and Expenditure Account (page12)~ This Account records how much the Council has spent and received for the day to day spending on its services (revenue expenditure and income). It also shows how that net expenditure has been funded – from the combination of Council Tax, National Non Domestic Rates and Central Government Grant (the Revenue Support Grant). The City Council deficit for 2007/08 was £46.2m.
- The Statement of Movement on the General Fund Balance (page 13) ~ This statement shows how the deficit on the Council's Income and Expenditure Account for the year reconciles to the surplus/deficit for the year on the General Fund.
- Statement of Total Recognised Gains and Losses (page 14) ~ This statement brings together all the gains and losses of the Council for the year.
- The Balance Sheet (page 15) ~ This is a snap shot of the Council's financial position as at 31<sup>st</sup> March 2008. It shows the Council's assets, liabilities, and reserves and balances as at that date. At the end of 2007/08 the City Council's net assets were £399.2m.
- The Cash Flow Statement (page 17) ~ This shows actual cash received and spent by the Council as a result of revenue and capital transactions with third parties.
- The Collection Fund (page 57) ~ The Council is required to maintain a separate account that records the transactions the City Council undertakes in relation to the collection and distribution of Council Tax and National Non Domestic Rates. In broad terms, this accounts shows income from Council Tax payers, and expenditure on payments (called precepts) to the City Council, the West Midlands Fire and Civil Defence Authority and the West Midlands Police Authority.
- Group Accounts (page 60) ~ These statements consolidate the City Council's accounts with those companies considered to be part of our group. For 2007/08 those companies are North Coventry Holdings Ltd, Coventry North Regeneration, Coventry and Solihull Waste Disposal Company and the Arena Coventry Ltd.
- The Statement of Accounting Policies (page 70) ~This explains the main

accounting policies the City Council used to produce the figures in the accounts. The general principles applied are those set out in the Accounting Code of Practice.

- 3.4 In addition to the above statements a number of explanatory notes are included as specified in the Accounting Codes of Practice. The full Statement of Accounts is appended to this report.
- 3.5 Once the Statement of Accounts have been audited by The Audit Commission, any material changes made to the Statement, will be reported to Members, informing you of those changes. This is required by the Accounts & Audit Regulations 2003.

#### 4.0 Movement on the General Fund

- 4.1 The 2007/08 income and expenditure accounts shows a deficit of £46.2m. This does not reflect the position of the Council's General Fund. The General Fund outturn position is one of break-even (actual deficit £36,000) as shown in the Statement of Movement on the General Fund Balance below.

Table 1 Statement of Movement on the General Fund Balance

2006/07 £000	Statement of Movement on the General Fund Balance	2007/08 £000
35,841	Surplus / Deficit for year on the Income & Expenditure account	46,231
(36,572)	Net additional amount required by statute and non-statutory proper practices to be debited / ( credited) to the General Fund Balance for the year.	(46,195)
(731)	<b>(Increase) or decrease in the General Fund Balance for the year</b>	36

- 4.2 The statement of movement on the general fund takes the income and expenditure deficit (under UKGAAP), adjusts it for depreciation, movement in reserves plus other allowable Local Authority accounting adjustments, (total value £46.2m) to arrive at General Fund outturn break-even position (see appendix 1). The break-even position is against the budget of £240m, as shown in table 2 of this report. It is this variation that is used to measure the Council's performance. The Council does not budget on the basis of the Income and expenditure account, which is a financial reporting statement.

Table 2 Summary Variation and Outturn Position

Directorate	Budget £m	Outturn £m	Variance £m
Chief Executives	6.8	6.1	-0.7
City Development	1.9	1.9	0.0
City Services	30.7	31.0	0.3
Children Learning and Young People	63.7	63.9	0.2
Community Services	95.1	94.4	-0.7
Customer and Workforce	-1.5	-2.3	-0.8
Finance & Legal	6.3	6.0	-0.3
Contingency & Central Budgets	37.0	39.0	2.0
<b>Total</b>	<b>240.0</b>	<b>240.0</b>	<b>0.0</b>

## 6. Other specific implications

	Implications (See below)	No Implications
Best Value		√
Children and Young People		√
Climate Change & Sustainable Development		√
Comparable Benchmark Data		√
Corporate Parenting		√
Coventry Community Plan		√
Crime and Disorder		√
Equal Opportunities		√
Finance	√	
Health and Safety		√
Human Resources		√
Human Rights Act		√
Impact on Partner Organisations		√
Information and Communications Technology		√
Legal Implications	√	
Neighbourhood Management		√
Property Implications		√
Race Equality Scheme		√
Risk Management		√
Trade Union Consultation		√
Voluntary Sector – The Coventry Compact		√

## 5 Legal Implications

The City Council is required by the Accounts and Audit Regulations 2003 to approve, and subsequently publish, certain financial information in a document known as the Statement of Accounts. The Director of Finance and Legal must also certify that the document presents fairly the financial position of the City Council at the end of the financial year. The Regulations require that the statement is formally approved by elected Members, by no later than 30 June 2008.

The auditors interpretation of the Regulations is that formal approval of the Statement is given by a non-executive committee. Therefore we are seeking Council's approval of the Statement. It is a requirement of the Regulations that

the person presiding at the meeting which approval is given, signs the Statement. This is reflected in the Recommendations in this report.

## 17 Timetable

The audited Statement of Accounts will be published by the end of October to meet the statutory requirement.

	Yes	No
Key Decision	√	
Scrutiny Consideration (if yes, which Scrutiny meeting and date)	√ Scrutiny Board 1 25 <sup>th</sup> June 2008	
Council Consideration (if yes, date of Council meeting)	√ 30th June 2008	

List of background papers

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Papers open to Public Inspection

**Description of paper**

**Location**

Final Accounts Files 2007/08

CRH3

Capital Monitoring Files 2007/08

CRH3

Movement on the General Fund Balance Appendix 1

	2007/08	
	£000	£000
<b>Deficit for year on the Income &amp; Expenditure account</b>		<b>46,231</b>
Less depreciation on fixed assets	(41,589)	
Less payments which relate to items that are treated as capital in the council's accounts e.g. acquisition of software and housing improvement and adaptation grants	(7,202)	
Remove capital receipts from Whitefriars which we treat as capital	2,244	
Technical adjustments in relation to pension costs	(8,568)	
A charge for the amount that we need to charge revenue to put aside to repay debt – Minimum Revenue Provision	11,842	
Capital expenditure financed from revenue	1,668	
Use of Reserves	(4,745)	
Minor Other adjustments	155	
<b>Amount by which the deficit on the General Fund for the year differs from the Income and Expenditure Account result for the year</b>		<b>(46,195)</b>
<b>Year end (underspend)/overspend</b>		<b>36</b>