



Meeting **COUNTY COUNCIL**

date **28 JUNE 2007**

agenda item number

## REPORT OF THE STRATEGIC DIRECTOR (RESOURCES)

### STATEMENT OF ACCOUNTS 2006/7

#### 1. Purpose of the Report

- 1.1 To present the Statement of Accounts for 2006/7 for approval by the County Council.

#### 2. Information and Advice

- 2.1 The County Council has to approve the Statement of Accounts for 2006/7 before the end of June. A copy of the Statement of Accounts is attached. This is still subject to approval by the District Auditor. Work on the external audit has begun, with an expectation that we will receive an audit certificate to allow the accounts to be published before the end of September.
- 2.2 The requirements of the Statement of Recommended Practice (SORP) 2006 introduced changes to the Statement of Accounts comprising the replacement of the Consolidated Revenue Account and Statement of Total Movement on Reserves with an Income and Expenditure Account, Statement of Movement on the General Fund Balance and Statement of Total Recognised Gains and Losses.
- 2.3 The SORP also required the adoption of three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account; the removal of capital financing charges for the use of fixed assets, the posting of government grants deferred to service revenue accounts and the recognition of gains and losses on the disposal of fixed assets.
- 2.4 The Balance Sheet shows that total assets exceed liabilities by £637.6 million. This is after taking account of estimated pension liabilities of £455.6 million, calculated by the actuary using FRS 17 methodology.

- 2.5 The amount of long-term borrowing is £249.0 million, which compares favourably with the value of long-term assets of £1,509.8 million.
- 2.6 The Council has earmarked “available reserves” of £79.6 million, i.e. items identified for specific purposes, and County Fund balances, i.e. free reserves, of £19.5 million. The total level of earmarked and free reserves is £29.3 million more than the equivalent figure a year ago. There is an analysis of the reserves in the Statement of Accounts (note 36), which shows the purposes for which these reserves were created.
- 2.7 The level of County Fund balances at the end of 2006/7 was £19.5 million which is 5% of the non-schools budget. The Statement of Movement on the General Fund Balances shows that balances rose by £7.0 million in 2006/7, which was £9.2 million more than originally expected, when the budget for 2006/7 was set in February 2006. The higher level of balances is still within the overall policy that was set in the Medium Term Financial Strategy, and will be invested to earn interest and also be available to help with any extra contingency requirements that might be needed in 2007/8. There is no plan to use balances in the budget for 2007/8.
- 2.8 The assessed FRS 17 Pensions liability has fallen from £502 million to £455 million due in part to an increase of 9% in the value of the pension fund’s assets.
- 2.9 The level of Deferred Assets has increased from £22.7 million to £55.8 million reflecting the land transfer relating to the East Leake and Bassetlaw Schools to the relevant contractors, which will be written down over the length of the contract.
- 2.10 The Schools Statutory Reserve has increased by £12.4 million to £36.1 million, the majority of which relates to unspent Standards Fund grant which must be spent by the end August 2007. This reserve is committed to be spent on schools and is not available to the Authority for general use.
- 2.11 The level of short-term debtors in the Balance Sheet has fallen by approximately £5.8 million. This is principally due to timing for payroll accruals at year end of £1.2 million, better identification of internal debtors in the accounts of £1.7 million, an increase in government grants due of £1.9 million and other items of £1.0 million. Long term debtors have increased by £8.7 million due to PFI accounting for prepayments on the East Leake and Bassetlaw schools of £7.9m and other items of £0.8million. The amount of creditors (amounts owed by the County Council at the year end) has risen by £23.9 million, principally due to government grants of £14.1 million received in advance towards capital schemes in Education of £8.0 million, underspending on the Social Services supported people main grant of £2.8 million and unused grant for the East Midlands Centre of Excellence of £2.2 million to be carried forward into 2007/08. Other significant changes to creditors of £9.8 million related to the late receipt of invoices from PFI contactors of £4.4 million, an increase in the

volume and value of creditors on Highways and Public Transport of £2.7 million and other items of £2.7 million.

2.12 The Income and Expenditure Account shows that the net cost of services has fallen by £320.1 million. This reflects schools now being entirely financed by the Dedicated Schools Grant, of which £384.0 million was applied in 2006/07. The comparison of net cost of services has therefore seen a rise of 9%, and this includes extra spending on schools, roads, libraries and social services, which in the main have been matched by improvements in the key performance indicators for these services. Where further improvements are required, resources have been made available in 2007/8 to allow this progress to be achieved. More information is provided in the report on Performance Management

### 3. Statutory and Policy Implications

3.1 This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, Crime and Disorder, Human Rights and those using the relevant service. Where such implications are material, they have been described in the text of the report.

### 4. Recommendation

4.1 The Statement of Accounts for 2006/7 be approved, subject to the approval by the District Auditor.

**ARTHUR DEAKIN**  
**STRATEGIC DIRECTOR (RESOURCES)**

### Background Papers Available for Inspection

Nil

### Legal Services Comments

The approval of the Authority's Statement of Accounts is a function of full Council. (HD 15/06/2007).