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20 June 2006

TO: ALL MEMBERS OF THE ACCOUNTS AND AUDIT COMMITTEE
To all other Members of the Council for information

Dear Member

The **Accounts and Audit Committee** will meet in the **Committee Room**, Nordon, Salisbury Road, Blandford Forum on **Wednesday, 28 June 2006** at **11.30 am** to consider the following items.

All members of Council are invited to attend this meeting.

Members are reminded that there will be a workshop on risk management for Members of the Cabinet and Accounts and Audit Committee at 1.00pm. A sandwich lunch will be provided for those members attending both meetings.

Yours sincerely



Elizabeth Goodall
Chief Executive

A G E N D A

- 1. APOLOGIES**
- 2. DECLARATIONS OF INTEREST**

Councillors and officers are reminded of their obligations under the Code of Conduct to declare personal and prejudicial interests.

- 3. MINUTES OF MEETING HELD ON 9 JUNE 2005**

To consider signing the minutes of the meeting held on 26 April 2006 (*previously circulated*) as a correct record.

4. STATEMENT OF ACCOUNTS

Report by the Section 151 Officer and Statement of Accounts. *(Attached. Please note that the summary Statements of Accounts will be circulated with this agenda for those members who have chosen not to have the full agenda papers for this Committee. The full draft Statement of Accounts is available in the Members Room or on request from Democratic Services)*

Please note that a revised Statement of Internal Control will be tabled at the meeting.

Members of the Committee:

Cllr I Stewart (Chairman)
Cllr J P L Tory (Vice-Chairman)
Cllr C Kay
Cllr D Milsted
Cllr P Webb

Please note the revised Statement of Internal Control is not available electronically, if you require a copy please contact Democratic Services on the above number.

NORTH DORSET DISTRICT COUNCIL

Accounts and Audit Committee

Date of Meeting: 28 June 2006

REPORT TITLE: STATEMENT OF ACCOUNTS 2005/06

Portfolio Holder: Cllr P Webb

Report Author: Financial Services Manager

Purpose of Report: Approval of the Statement of Accounts for 2005/06 and comment on the proposed Summary Statement of Accounts.

Statutory Authority: Audit Commission Act 1998
Accounts and Audit Regulations 2003

Financial Implications: Nil

**Consultations required/
undertaken:** None

Recommendations: Accounts and Audit Committee is asked to approve the Statement of Accounts for 2005/06 and comment on the proposed Summary Statement of Accounts.

BACKGROUND

1. The Accounts and Audit Regulations 2003 require elected Members to approve the Statement of Accounts for the financial year ending 31 March 2006 by 30 June 2006. It is also expected by the Audit Commission that the Council will produce a Summary Statement of Accounts.

STATEMENT OF ACCOUNTS

2. The Best Value Accounting Code of Practice requires that local authorities publish Statements of Accounts to give electors, members of the authority, employees and other interested parties clear information about the authority's financial position. The statement should answer the following questions:
 - ◇ What was the cost of delivering the authority's services in the year of account?
 - ◇ Where did the money come from?
 - ◇ What were the authority's assets and liabilities at the end of the year?

FORM AND CONTENT OF THE STATEMENT OF ACCOUNTS

2. The form and content of the financial statements is in accordance with the requirements of the Statement of Recommended Practice produced by the Chartered Institute of Public Finance and Accountancy and comprise:
- **An explanatory foreword.** *The purpose of this foreword is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. It should provide an explanation in overall terms of the authority's financial position and assist in the interpretation of the accounting statements. It is not the purpose of the foreword to comment on the policies of the authority, rather to explain the financial facts.*
 - **A statement of accounting policies.** *The purpose of this statement is to explain the basis of the figures in the accounts. In circumstances where more than one accounting basis is acceptable in principle, the accounting policy followed can significantly affect an authority's reported results and financial position. The view presented can be properly appreciated only if the policies which have been followed in dealing with material items are explained. For this reason, adequate disclosure of accounting policies which have been followed is essential to the fair presentation of the Statement of Accounts.*
 - **The accounting statements.** *An authority's Statement of Accounts must contain the following accounting statements:*
 - ◇ *A consolidated revenue account.*
 - ◇ *A collection fund revenue account.*
 - ◇ *A consolidated balance sheet.*
 - ◇ *A consolidated statement of revenue and capital movements*
 - ◇ *A cash flow statement*
 - **Note to the accounts.** *The note to the accounts forms part of the statement and should add to and interpret the contents of individual statements. Notes should also provide more explanation or analysis where matters of financial significance cannot adequately be treated in the statements themselves.*

REVIEW OF THE STATEMENT

Outturn compared with budget for 2005/06 - (See table 1 below)

3. The Councils actual expenditure, net cost of services after adjustment is made for those items that do not impact on Council Tax is £7.704 million compared with a budgeted target of £7.812 million, this represents a 1.4% under spend on budget.
4. When the Councils trading operations are taking into account the position changes to net expenditure of £8.036 million compared with a budgeted figure £7.833 million a budgetary overspend of 2.6% The figure for actual trading losses £331,362 includes an amount of £235,000 payable for repairs required on the termination of the lease on Station Road, Gillingham, of the remaining loss £96,362, £80,841 refers to operating losses at the Wincombe Centre.

Table 1

	Budget 2005/06	Actual 2005/06
Net cost of services	9,049.7	10,287.8
less capital charges and items not impacting on Council tax	-1,238.1	-2,583.7
Actual Expenditure	7,811.6	7,704.1
add losses on trading operations	21.5	331.4
Net expenditure	7,833.1	8,035.5
less interest earned	-843.0	-1,072.0
less contribution from reserves	-1,078.2	-1,223.6
added to general fund balance		172.8
To be met by Council Tax and external funding	5,911.9	5,912.7
Funded by		
Revenue support grant	1,867.0	1,867.0
National non domestic rates	1,848.6	1,848.6
Collection fund surplus	41.8	42.6
NDDC Council Tax	2,154.5	2,154.5
Total	5,911.9	5,912.7

see page 24 Statement of Accounts

see page 6 Statement of Accounts

5. Although the Council has shown a small underspend against budget it should be noted that this figure is made up of a number of significant variances both adverse and favourable the main items are listed below.

Savings and underspends

Blandford Swimming Pool	£134,000	Business rates refund on appeal
Blandford Joint Users	£96,000	Repayment from Dorset County Council re: business rate refund on joint user arrangements
Recycling	£44,700	Additional recycling credits

Concessionary Fares	£44,100	Lower than budget take up
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Overspends and loss of income against budget

Sturminster Leisure Centre	£29,500	Payroll costs
Car Parking	£133,000	Reduction in car parking income
Local Land Charges	£41,000	Reduced income
Development Control	£19,000	Reduced income
Rating Administration	£54,000	Net rebilling costs

ITEMS NOT IMPACTING ON COUNCIL TAX BUT INCLUDED IN THE COST OF SERVICES (See page 'consolidated revenue account' page 24)

Depreciation increased by £537,000 over 2004/05 due to investment in IT, which is written off over 3 years and the purchase of a number of new vehicles for domestic refuse collection and recycling.

Deferred Charges, written off increased by £397,000 due to an increase in social housing grant of £244,950 and a £237,000 contribution to the Sturminster Newton community building

It should be noted that although these costs do not impact on Council Tax they will be taken into account when VFM comparisons are made and in any cost BVPI's.

REVENUE RESERVES

The recommended level of reserves for 2005/06 was £780,000.

The General Fund Balance is £838,741. This together with the other revenue reserves totals £2,876,000 which is well in excess of the recommended minimum level.

During the year £988,600 was transferred from the revenue reserves to the general fund. In April 2006 Council authorised a further transfer of £235,000 to the General Fund to meet the cost of repairs at Station Road, Gillingham.

BALANCE SHEET (See page 32 of the Statement of Accounts)

Change in net worth

The net worth of the Council fell by £547,700 from 31 March 2005 to 31 March 2006. The main element causing this reduction being the use of £1,050,000 revenue reserves and general fund balances, off-setting this figure was an increase in the usable capital receipts reserve £141,800 and on Government Grants Deferred of £215,900, which represents an increase in the level of government grants received, but not yet spent.

Other key changes to note are:

The increase in fixed assets of £2,565,800. This represents capital expenditure of £2,167,400, a revaluation of assets of £2,034,100, the two major increases being £1,051,600 for Blandford Leisure Centre and £353,800 for Sturminster Newton Leisure Centre.

The total depreciation on the Council's fixed assets was £1,635,700.

CASH RESOURCES

The Council's total cash balances are made up as follows:

	2004/05 £000's	2005/06 £000's
Available for capital expenditure (capital financing requirement)	6,598.7	4,521.2
Usable capital receipts	3,043.3	3,185.0
Developer Contributions	3,717.2	4,470.1
Revenue Reserves and General Fund Balances	3,926.9	2,876.3
Liveability (committed but unspent)	1,473.7	2,280.9
Working Capital	224.5	77.0
TOTAL	18,984.3	17,410.5

The decrease in cash balances is £1,573,800. This includes the following

A reduction in capital financing requirement which reflects the level of capital expenditure during this financial year	2,077,500
The reduction in revenue reserves and general fund balances	1,050,600
Off set by an increase in developer contributions	1,095,800
Increase in committed but unspent Liveability funds	807,200

Recommendation.

That members approve the Statement of Accounts for 2005/06.
If during the audit any material changes are identified these will be reported to members before the formal date for the auditors to express an opinion on the accounts (30 September 2006)

Reason

The Accounting and Audit Regulations require members to approve the Statement of Accounts 2005/06 by the 30 June 2006

Author: Barry Marshall
Post: Finance Services Manager
Date: 8 June 2006

Background Papers: The Local Authority Code of Accounting Practice
Best Value Accounting Code of Practice
Account and Audit Regulations 2003
Final account working papers 2005/2006
Us of Resources 2006 Key Lines of Enquiry