

<b>Item No.</b> 7.1	<b>Classification:</b> Open	<b>Date:</b> 28/06/06	<b>MEETING NAME</b> Council Assembly
<b>Report title:</b>		Statement of Accounts, 2005/06	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Finance Director	

## **RECOMMENDATIONS**

1. That the Council Assembly approves the Statement of Accounts 2005/06, as attached.
2. That the Mayor, as presiding Member at the Council Assembly meeting, signs and dates the Accounts as being approved by the Council Assembly.

## **BACKGROUND INFORMATION**

3. The Accounts and Audit Regulations 2003 require that the Statement of Accounts for 2005/06 be presented to an appropriate Committee of the body to which the Accounts relate by 30<sup>th</sup> June 2006. Under the constitution the Council Assembly is the body that formally receives the Statement of Accounts.
4. The Accounts and Audit Regulations 2003 also require that the chair of the committee or meeting approving the Accounts should sign and date the Accounts. As the receiving committee is the Council Assembly, the chair or presiding Member is the Mayor. Signing the Accounts does not pass any formal responsibility to the person signing, or override the Finance Director's responsibilities in certifying the Accounts, but is required by the regulations as a formality to show that the Council's processes in preparing and presenting the Accounts have been completed.

## **KEY ISSUES FOR CONSIDERATION**

5. The Statement of Accounts for 2005/06 was signed by the Finance Director on 21<sup>st</sup> June 2006, in accordance with the Accounts and Audit Regulations 2003. A copy of the Accounts is attached to this report.
6. As mentioned above, the regulations require that the 2005/06 Accounts be approved by the Council Assembly by 30<sup>th</sup> June 2006. If, in the opinion of the District Auditor, substantial changes are required to the Accounts following the audit, then the Accounts must be re-published after the audit opinion has been made, and by 30<sup>th</sup> September 2006.

7. The Accounts and Audit Regulations 2003 have shortened the timescales for the preparation and audit of the Accounts. This is the final year in this reducing process, and this is the earliest that the Accounts have ever been reported to Council Assembly.
8. Additional copies of the Statement of Accounts are available on request from Strategic Services Department (Financial Management Services) to all interested parties. An electronic copy of the Accounts will also be available from the Southwark website shortly after the Council Assembly meeting. The Accounts for the six years from 1999/2000 to 2004/05 are also available on the website.
9. The accounts will be open for public inspection from 6<sup>th</sup> July to 2<sup>nd</sup> August 2006. The District Auditor will be available on Thursday 3<sup>rd</sup> August to hear any questions from members of the public. It is intended that the Statement of Accounts containing the Auditor's opinion will be available later in the autumn, within the statutory 6-month period following the Accounts' year-end.

## **RESOURCE IMPLICATIONS**

10. Southwark is the largest spending authority in London (excluding the GLA). Council reserves and balances are healthy but below the London average in proportion to the annual expenditure. The District Auditor has commented on the need to continue to ensure that the Council's medium term financial strategy is robust and that reserves and balances adequately reflect ongoing needs and new risks emerging from the Council's major longer term priorities.
11. For 2005/06, the General Fund generated a net favourable variance representing approximately 2% on a gross General Fund budget of £1.010 billion (£20.397 million). A positive variation at this level on a budget of this size is not considered unreasonable, especially given the nature of the service activities that it supports.
12. The additional resources generated from 2005/06 activities will assist in mitigating our future risks, and will demonstrate to the District Auditor that the Council balances are more robust and more consistent other London authorities. The favourable variance is made up of a number of disparate items.
13. £6.568 million arose specifically from windfall NNDR credits and have been added to the General Fund balance. The NNDR credits are recoveries of overpayments to the Government's NNDR pool. The balance was accumulated over a number of years, previously held in creditors as receipts in advance. Although there is a risk of claim against the Council, the risk is considered low such that no specific provision is recognised. The balance has therefore been applied to increase general balances, which is in accordance with the Medium Term Financial Strategy, and still preserves the balance should claims arise.
14. The Accounts provide specifically for liabilities arising from Peckham Pulse in accordance with the recommendations to the Executive during the year, that £2.15 million be set aside separately.

15. £3.271 million arose from additional funds received for Local Public Service Agreements (LPSA) in respect of improved performance targets being achieved and the new Local Authority Business Growth Incentive scheme (LABGI). These funds have been earmarked within the agreed General Fund budget for 2006/07.
16. As a result of the Council's direct activities, a net £3.022 million surplus was generated by Housing General Fund activities, including £2.143 million from changes in housing benefits entitlements. A further £6.127 million came from investment income, from a combination of interest rates continuing at higher rates than the projections made 18 months ago in setting the budget, and from cash balances being sustained throughout the year above the budget assumptions.
17. Other sources of additional funds included the suspended use of the budget set aside for prudential borrowing (£1 million); these funds have been earmarked to finance future borrowing costs arising from the acquisition of the Old Kent Road site for the Waste PFI scheme. The revenue surplus from the sale of Orchard Lodge after accumulated costs had been met generated a one-off income of £1.437 million. The remainder of the balance (£1.096 million) comes from other departmental over and underspends, smaller windfall gains, and accumulated balances within the accounting system no longer required to be applied.
18. The LPSA and LABGI funds have been specifically set aside to help meet the approved budget requirements for 2006/07. The remainder of the surplus funds have been set aside either to meet one-off items or multi-year projects (Modernisation, Service & Operational Improvement Reserve, Regeneration & Development Reserve); to meet specific risks and costs (accommodation pressures, Peckham Pulse restoration); risks arising from current and future initiatives (Southwark Schools for the Future, Elephant & Castle, Waste PFI); or to mitigate other identified risks (interest cost and gains, insurance, schools).

## **CONSULTATION**

19. Consultation on the Accounts is carried out through the public inspection period, and by access to District Auditor on the appointed day.

## **REASON FOR LATENESS**

20. Over the last three years the Government has reduced the time available to produce the Accounts from 6 months to 3 months, bringing forward the deadline from 30<sup>th</sup> September to 30<sup>th</sup> June. With this substantial compression of the work needed to be completed after the year-end it was not possible to prepare the Accounts in time for the main agenda. Improvements will be made in future years to ensure that the Accounts are produced in time for the main agenda. However, it should be noted that this is the earliest the Council's Accounts have ever been produced, with signature by the Finance Director on 21<sup>st</sup> June compared with 4<sup>th</sup> July last year.

## **REASON FOR URGENCY**

21. The statutory deadline for receiving the 2005/06 Accounts at Council Assembly is 30<sup>th</sup> June 2006.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Closing files 2005/06	Financial Management Services Town Hall, Room 4.07	Dennis Callaghan 020 7525 4375

**APPENDIX A**

**Audit Trail**

<b>Lead Officer</b>	<i>Duncan Whitfield, Finance Director</i>	
<b>Report Author</b>	<i>Dennis Callaghan, Chief Accountant</i>	
<b>Version</b>	<i>Final</i>	
<b>Dated</b>	<i>21/06/06</i>	
<b>Key Decision?</b>	<i>No</i>	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Borough Solicitor & Secretary	No	No
Chief Finance Officer	Yes	Yes
<i>List other Officers here</i>		
<b>Executive Member</b>	In discussion	No
<b>Date final report sent to Constitutional Support Services</b>	21/06/06	