

REPORT TO: GOVERNANCE & AUDIT COMMITTEE

DATE: 29 JUNE 2007

REPORT FROM: DIRECTOR OF CORPORATE RESOURCES & SERVICES

Report by: Chris Ward, Accountancy Manager

STATEMENT OF ACCOUNTS 2006/07

1. Purpose of Report

The purpose of this report is to present the Council's Financial Statements 2006/07 for approval by the Committee and for signing by the Chair of the Committee.

2. Recommendations

It is recommended that the Financial Statements 2006/07 for Portsmouth City Council comprising the following be approved:

- Explanatory Foreword
- Statement of Accounting Policies
- Statement of Responsibilities for the Statement of Accounts
- Income & Expenditure Account
- Statement of the Movement on the General Fund Balance
- Statement of Total Recognised Gains & Losses
- Balance Sheet
- Cash Flow Statement
- Notes to the Core Financial Statements
- Housing Revenue Account
- Collection Fund
- Statement on Internal Control

3. Legislative Background

In accordance with the Accounts and Audit Regulation 2003 (as amended by the 2006 regulations) the deadline for the approval of the 2006/07 Financial Statements of the City Council is 30th June 2007. Those regulations state that the statement of accounts of a Local Authority must be approved by resolution of a Committee of the Authority as soon as reasonably practicable but in any event by no later than 30 June each year. Once approved, the Accounts must be signed and dated by the person presiding at that meeting and published as soon as possible after the conclusion of the audit but before 30 September each year.

The regulations also require that the City Council's accounts are available for public inspection for a period of 20 working days prior to the date when the District Auditor is available to take any questions on the accounts or hear any representations made by any elector (see below). The accounts are currently available for public inspection and have been posted on the City Council's Website.

The District Auditor will be available on 23 July 2007 for any elector or his/her representative to question or make representations under Section 15 and 16 of the Audit Commission Act 1998 (namely an unlawful item of account, failure to bring a sum into account, or a loss or deficiency caused by wilful misconduct).

4. Financial Statements 2006/07

The intent of the whole suite of financial statements is to give clear information about the Authority's finances. In particular they cover:

- The cost of the services provided by the Authority for the year
- How the cost of these Local Authority Services have been financed
- Any surpluses or deficits made by the Authority in the year
- The value of the Authority's assets, liabilities and reserves at the end of the year

The members of the Committee are particularly directed to The Explanatory Foreword contained within the statement of accounts. This provides a commentary on the overall financial position by the Director of Corporate Resources & Services and is intended to provide an easily understandable guide to the most significant matters reported in the accounts as well as assisting in their interpretation.

The Explanatory Foreword also provides an overall conclusion of the financial performance of the Council in 2006/07 and is re-produced below.

Conclusion

In 2006/07 the Council suffered a reduction in its General Reserves (excluding schools) of £4.8m and this represents the extent to which the City Council's in year expenditure has exceeded it's in year resources. The £4.8m withdrawal from Reserves does however, reflect a transfer of £2.5m into the Medium Term Resource Strategy Reserve to fund Spend to Save schemes and an exceptional "one off" item of £2m. The contribution from General Reserves was £1.9m less than planned and therefore, has had a positive impact on the overall forecast financial position of the Council. The £1.9m improvement arose from underspendings, in the main, in the areas where the Council is focussing its efforts to actively manage its risks, costs and increase income; that is by minimising the need to use contingencies, actively managing treasury activities and charging for services.

In addition to this, the Housing Revenue Account made a small deficit of £0.4m however this was £0.2m less than planned and the Account continues to be robustly managed with healthy projections over the next 9 years.

Set against these surpluses is a relatively small unplanned deficit of £0.5m on the Collection fund that will need to be offset against the £1.9m improvement in General Reserves. This overall net improvement of £1.4m will now feature in the revisions to the Council's Medium Term Resource Strategy that aims to deliver the Council's key priorities over the medium term within a sustainable level of resources.

Recommendation

The City Council's Financial Statements (attached) have been prepared in accordance with the requirements set out in the Accounts & Audit regulations 2003 (as amended by the 2006 regulations) and the professional Code of Practice on Local Authority Accounting and are recommended for approval.

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Roger Ching
Strategic Director for Corporate Resources & Services