

<b>COUNTY COUNCIL</b>	<b>Paper No.</b>
<b>Meeting date: 28 June 2007</b>	
<b>From: DEPUTY LEADER / DEPUTY CHIEF EXECUTIVE / CORPORATE DIRECTOR - FINANCE &amp; CENTRAL SERVICES</b>	

**THE FINAL ACCOUNTS FOR 2006/7**

**SECTION A:**  
**RECOMMENDATION OF CABINET MEMBER**

**1.0 EXECUTIVE SUMMARY**

- 1.1 This report asks Council to approve**
- (a) the accounts for the year ended 31<sup>st</sup> March 2007 (which remain subject to audit);**
  - (b) the financing of capital expenditure in 2006/7;**
  - (c) the provision made to repay debt in 2006/7;**
  - (d) agree amendments to the capital programme for 2006/7, transfer to the equal pay earmarked reserve, and carry forwards of underspends;**
  - (e) separately approve the Statement of Internal Control**
- 1.2 There is a statutory requirement that the Council receives reports not later than 30<sup>th</sup> June in respect of these items. While this timetable was first set last year for the 2005/6 accounts, it remains very demanding, particularly in light of more complex accounting requirements and it is pleasing to report that the deadline has been met. The delivery of this report has required significant effort across the Council, including schools and other establishments, staff in Directorates and the various Finance Teams.**
- 1.3 The Statement of Accounts includes a review of the year which provides a commentary on the Council's activities and the accounts. It includes analysis of outturn against budget by directorates and comparative figures for 2005/6.**
- 1.4 The Revenue Account for 2006/7 shows a £126,000 reduction in reserves, from £6.6m. in April 2005 to £6.5m. in March 2006. This is**

**after taking account of the proposed transfer of £6.5m. to the equal pay earmarked reserve and carry forward of underspends totalling £1.798m. as set out in the Cabinet report (Appendix 2 of this report, paragraph 4.8 and supporting detail at Appendix 1 of the Cabinet report).**

**Note: All numbers to be revised**

▪ <b>The Original Budget Plan (February 2006) was based on:</b>	<b>£m. 9.3</b>
<b>Opening Reserves (April 2006 predicted)</b>	<b>(0.7)</b>
<b>less transfer from the Reserve</b>	<b><u>8.6</u></b>
<b>Closing Reserves (March 2007)</b>	
▪ <b>The Expected Results (February 2007) were based on</b>	<b>£m.</b>
<b>Opening Reserves (April 2006)</b>	<b>6.6</b>
<b>Less transfer from the Reserve</b>	<b>-</b>
<b>Closing Reserves (March 2007)</b>	<b><u>6.6</u></b>
▪ <b>The Final Outturn shows</b>	
<b>Opening Reserves (April 2006)</b>	<b>6.6</b>
<b>Less transfer from the Reserve</b>	<b>(0.1)</b>
<b>Closing Reserves (March 2007)</b>	<b><u>6.5</u></b>

**1.5 The £6.5m. transfer to the equal pay earmarked reserve is as a result of the rescheduling of long term debt reported to the February Council and underspends of £1.798m. The equal pay earmarked reserve is increased from £15.3m. to £21.8m.**

**1.6 The Capital Programme has been delivered at a level of £63.4m., details being reported at Appendix 3.**

**1.7 The Cumbria Pension Fund obtained a return of 6.7% in 2006/7, and the Fund stands at £1,177m. Performance was marginally above the 6.4% benchmark. The Fund is ranked 41<sup>st</sup> out of 100 for the last 10 years, and it has slipped a little over shorter term periods as a result of its more defensive asset mix. This asset mix has tended to protect the Fund in times when equity markets have performed poorly but the Fund has not grown as quickly as others when equity prices have risen sharply. Following its strategic investment review, the Pensions Committee has appointed new managers for global equities, 'alternative' investments (such as hedge funds and private equities), and a foreign currency manager.**

**1.8 The formal accounts are prepared to match national requirements and guidelines. This year opportunity has been taken to review the statement of internal control and summary accounts for top rated councils. Copies of the recent Cabinet reports on Revenue and**

*Capital Outturns are attached and details in those reports correspond to the Final Accounts.*

## **2.0 POLICY POSITION, BUDGETARY AND EQUALITY IMPLICATIONS, AND LINKS TO CORPORATE STRATEGY**

**2.1** *The final accounts of the local authority record the financial performance of the County Council on the revenue and capital accounts for 2006/7. They also record the performance of the Cumbria Pension Fund.*

**2.2** *Variances on the Revenue Budget and Capital Programme affect year end reserves and balances – in addition to their impact on services.*

## **3.0 RECOMMENDATIONS**

**3.1** *The Council is recommended to*

- (a)** *approve the accounts as presented, subject to the outcome of the audit;*
- (b)** *determine that capital expenditure of £63.446m. in 2006/7 be financed by:*

**Note: All numbers to be revised**

	<b>£000's</b>
<b>Unsupported borrowing</b>	<b>3,573</b>
<b>The use of supported borrowing</b>	<b>29,390</b>
<b>The use of capital receipts</b>	<b>2,020</b>
<b>Grants and contributions from Central Government and other bodies</b>	<b>27,175</b>
<b>The balance as a charge to the revenue account</b>	<b>1,288</b>
<b>Total</b>	<b>63,446</b>

- (c)** *set aside £10.001m. as the minimum revenue provision to repay debt;*
- (d)** *agree the amendments to the 2006/7 Capital Programme reflected in the Appendices to the Capital Report presented to Cabinet; and*
- (e)** *agree the transfer of £6.5m. to the equal pay earmarked reserve and proposed use of uncommitted underspends set out in the Appendices to the Revenue Report presented to Cabinet.*

**3.2 *In addition the Council is recommended to approve the Statement of Internal Control, included in the Statement of Accounts.***

**Cllr J. E. Stocker**  
**Deputy Leader**

**SECTION B:**  
**ADVICE OF THE DEPUTY CHIEF EXECUTIVE / CORPORATE**  
**DIRECTOR – FINANCE AND CENTRAL SERVICES**

**4.0 BACKGROUND**

- 4.1 The final accounts for 2006/7 are attached as Appendix 1. The format of the accounts follows the Best Value Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy.
- 4.2 The Council is required to decide how it funds its capital programme and part (b) of the recommendation shows the funding sources included in the accounts. Under the Prudential regime, local authorities make their own decisions about financing of capital schemes and decisions on when to borrow are taken separately. The Prudential regime introduced the flexibility to borrow above the level supported by Government. In 2006/7 the Council undertook £3.573m. unsupported borrowing. The Council is also required to determine revenue provision to repay debt; part (c) of the recommendation proposes the minimum provision. Part (d) reflects some scheme-specific adjustments to the 2007/8 Capital Programme where payments were delayed or advanced in 2006/7.
- 4.3 Recommendation (e) refers to the proposed transfer of £6.5m. to the equal pay earmarked reserve and use of underspends. At its meeting on 12 June Cabinet recommended the transfer to the equal pay earmarked reserve as part of its financing strategy for dealing with the significant equal pay claims where legal process are continuing. Cabinet also recommended carry forward of £1.798m. of uncommitted expenditure from 2006/7 to be used for other purposes in 2007/8. This figure included Local Committee requests of £1.269m.
- 4.4 There is a separate recommendation on the Statement of Internal Control. Whilst the Statement of Internal Control is part of the Statement of Accounts, it is important that it receives full consideration and for the Statement of Internal Control to be approved separately by Council. On 11 June the Audit and Assurance Committee considered reports showing that the Statement of Internal Control has been prepared in accordance with proper practices in relation to internal control and reviewing the effectiveness of internal audit as required by Accounts and Audit Regulations 2006.

## **5.0 BALANCES**

5.1 As a result of transactions in 2006/7 the Council will have

- (a) General Reserves of £6.511m.
- (b) Capital Fund of £1.410m.
- (c) School balances £xm. (net of any deficits)
- (d) Local Area Committees balances £1.269m.
- (e) Other earmarked balances £xm.
- (f) An insurance reserve of £3.376m.

5.2 The equal pay earmarked reserve has been increased by £6.5m. to £21.8m. It must be emphasised that all reserves other than the General Reserve are effectively committed (the Council cannot use school balances) or required to underpin continuing self-insured risks. The level of the insurance reserve is examined annually in relation to emerging liabilities.

**R. F. Mather**

**Deputy Chief Executive / Corporate Director – Finance and Central Services**

**June 2007**

**cf.49.07**

### **APPENDICES**

- Appendix 1: The Final Accounts for 2006/7 (including the Cumbria Pension Fund)
- Appendix 2: Revenue Outturn 2006/7 (Cabinet 12 June 2007)
- Appendix 3: Capital Outturn 2006/7 (Cabinet 12 June 2007)

### **IMPLICATIONS**

- Staffing: No direct implications
- Financial: No direct implications other than as set out in the report
- Electoral Division(s):

- Executive Decision: No
- Key Decision: No
- Have the urgency procedures been used: No

### **BACKGROUND PAPERS**

None

### **CABINET MEMBER**

Councillor J. E. Stocker,  
Deputy Leader

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