

CARLISLE
CITY COUNCIL



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AUDIT COMMITTEE

A3

Committee Report

Public

Date of Meeting: 25 September 2006

Title: SUMMARY STATEMENT OF ACCOUNTS

Report of: The Director of Corporate Services

Report reference: FS44/06

Summary:

The purpose of this report is to request members to consider the options available to the Council to design a summary Statement of Accounts that will be easily understood by stakeholders, such as partner organisations, council taxpayers and local businesses.

This new statement will improve the external reporting of the Council's financial position at the end of the financial year and will assist the Council to improve its Use of Resources assessment for Financial Reporting.

Recommendations:

1. Members are asked for their views on the preferred way forward to design a summary Statement of Accounts to improve the reporting of the Council's year-end financial position to stakeholders.

Contact Officer: Shelagh McGregor

Ext: 7290

CITY OF CARLISLE

To: The Chairman and Members of the
Audit Committee
25 September 2006

FS44/06

SUMMARY STATEMENT OF ACCOUNTS

1. BACKGROUND

The Council is subject to a rigorous assessment of its ability to use its resources effectively by the Audit Commission. The last Use of Resources assessment was carried out in 2005 and at that time the Council's financial reporting procedures were found to in need of improvement. A detailed action plan was prepared in May 2006 with the aim of implementing changes in 2006/07 to improve the Council's Use of Resources position, which included improvements to financial reporting procedures. One of the actions contained in the plan was to improve the external reporting of the Council's financial position at the year-end through the production of a summarised Statement of Accounts that can easily be understood by stakeholders, such as partner organisations, council taxpayers and local businesses.

There are many examples of best practice available to the Council to develop this statement but for simplicity, this report presents: -

Appendix 1 -

- An extract of information from the full Statement of Accounts for 2005/06 relevant to this exercise.

Appendix 2 and 3 -

- Examples of summary of accounts from Inverclyde Council and Wychavon District Council, which have both won awards at national level for their presentational style.

It is clear that the interpretation of the summary statement of accounts can be considerable enhanced through the use of simple presentation techniques and through the use of charts and diagrams.

The Use of Resources process requires consultation to be carried out on the local requirements for the production of this type of statement. So, in addition to the views of members on their preferred options arising from consideration of this report, then further consultations with the Citizens Panel and other relevant organisations (e.g. the Large Employers Action Group) will be carried out to canvas their views on the recommendations of this Committee.

2. RECOMMENDATION

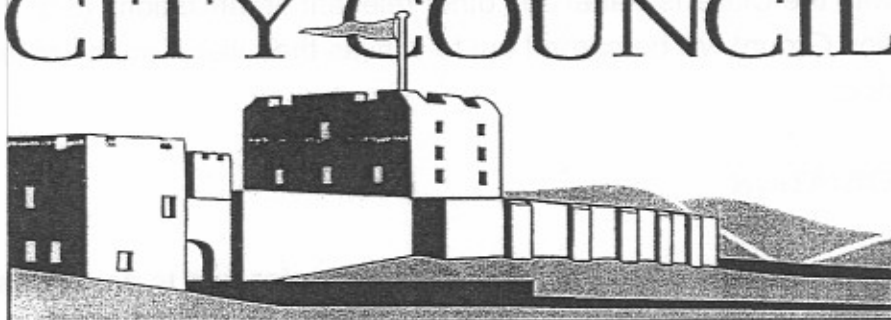
Members are asked for their views on the preferred way forward to design a summary Statement of Accounts to improve the reporting of the Council's year-end financial position to stakeholders.

ANGELA BROWN
Director of Corporate Services

Contact Officer: Shelagh McGregor

Ext: 7290

CARLISLE CITY COUNCIL



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DRAFT

SUMMARY ACCOUNTS

2005/06

1. What did our services cost?

The net cost of providing services in Carlisle is shown in our revenue account. This cost is made up of spending on running costs, offset by income raised through fees and charges and other income such as contributions from other councils and grants from the government and other agencies. For year ending 31st March 2006 the net cost of services was as follows: -

	£'000
Culture, Environmental & Planning	11,312
Highways, Roads & Transport	915
Housing Services	3,082
Democratic Representation	3,101
Central Support services	1,814
Non-distributed pension costs	(1,425)
Settlement of insurance claim for flood damage	(2,812)
Services transferred to Carlisle Housing	(79)

	15,908
Other Operating Costs & Income	
Profits from trading undertakings	(2,280)
Interest received on investments	(1,426)
Money requested by parish councils	317
Money provided for capital spending	3,115
Money taken from reserves to help with spending	(1,848)
Capital charges	277

NET COST OF SERVICES TO BE MET FROM LOCAL & NATIONAL TAXES	14,063

2. How did we pay for our services?

We spent £14.063 million last year on our services. This has to be provided by local taxes, business rates and through a government grant from the Treasury. The following amounts were provided by each source: -

	£'000	%
Local taxes – Council Tax	5,774	40.1
Business Rates	2,942	20.4
Revenue Support Grant	5,694	39.5

	14,410	

Only about 40% of our income came from Council Tax, with 60% coming from the Government through business rates and grant. Overall the amount of Council Tax collected contributes about 10% of the gross cost of running council services.

The amount of money received through local and national taxation was a little more than we needed to pay for our services, which meant that there was a small surplus on our revenue account: -

	£'000
Cost of services	14,063
Income from local & national taxes	14,410

Surplus	347

This surplus was added to surpluses brought forward from previous years to give a balance of £3.8 million at the end of March 2006.

3. Cash Flow

We handle very large amounts of cash each year. The following table shows the movements on the Council's cash account during the year: -

	£'000
Cash Overdrawn 1st April 2005	490
Add	
Income received in the year	134,366
Deduct	
Payments made in the year	134,042
Cash Overdrawn at 31st March 2006	166

Over the year the Council received £324,000 more cash than it paid out, reducing its overdrawn balance.

4. Capital Spending

We also spend money on

- Providing grants to improve housing in the area,**
- Providing grants to businesses to help them develop employment opportunities.**
- Improving and repairing our land and property so we can provide good quality services and facilities.**

This spending is known as capital spending and we have to treat this spending differently from spending on running services. During 2005/06 we spent £10.115m on the following capital projects: -

	£'000
Grants	2,165
Flood Damage	3,155
Culture, Leisure & Recreation	2,432
Environmental	370
Other Land & Property	855
Vehicles, Plant & Equipment	1,138

Total	10,115

This spending has to be paid for and in 2005/06 this came from: -

	£'000
Grants from the Government & Other Bodies	1,939
Receipts from the sale of Council land & property	4,019
The Council's Revenue Account	3,115
Council Reserves	855
Contributions from partner organisations	187

Total	10,115

5. What is the Council worth?

At the end of March every year, we have to draw up a balance sheet to show: -

- **the value of the Council's land and property,**
- **the amount owed by and to the Council,**
- **the balance on the Council's bank account and,**
- **the level of money retained by the Council in its reserves.**

Taken together, this shows the net worth of the Council and at the end of March 2006 the balance sheet showed the following: -

	£'000
Value of land & property	126,247
Money owed to the Council	34,079
Money owed by the Council	(43,136)
Overdrawn bank balance	(166)

	117,024

The net worth of the Council is therefore a little over £117m and is made up of: -

	£'000
Capital Reserves	19,014
Non-cash backed reserves	84,255
Revenue Reserves	13,755

Total	117,024

The level of revenue reserves includes £9.955m earmarked for specific purposes and £3.8m to use as a working balance. The Council has a legal responsibility to keep its working balance at a realistic level so that it does not run into financial difficulties. As part of its financial rules, the Council has agreed to keep its working balance at a level of at least £3m.

Statement by the Director of Corporate Services

As Carlisle's statutory Chief Finance Officer, I can confirm that this year's statement of accounts has been prepared in line with the Accounting Code of Practice applicable to local authorities.

Carlisle's accounts for 2005/06 will be audited by the District Audit, appointed by the Audit Commission – the Government's public spending watchdog. I anticipate an unqualified audit opinion as in previous years, meaning that the Council's accounts have been prepared accurately and present fairly the financial position of the Council at the 31st March 2006.

A full copy of the audited statement of accounts will be available in September, when the audit has finished. If you require a copy please contact Financial Services on 01228 817xxx.

**Angela Brown, CPFA
Director of Corporate Services**



Summary of Accounts

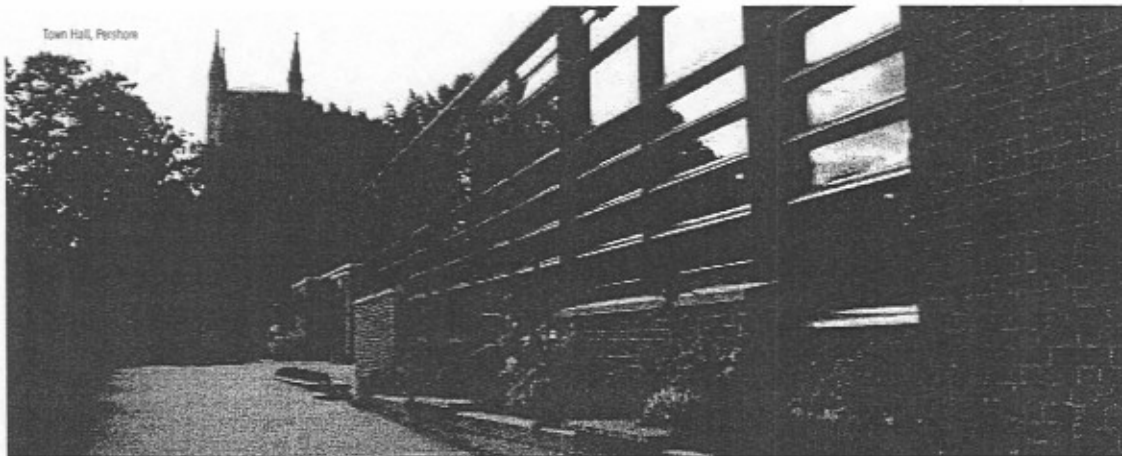
2004/05

What did we spend the money on?

We show the cost of running our services in our revenue account. This account shows you the costs in 2004/05 of the Council's priorities and the amount left to be financed from local and national tax income.

What we spent	Net Expenditure 2004/05 £000
<i>Priority 1 - Aspire to be excellent</i>	
Corporate management	} 3,974
Communications	
Property management	
<i>Priority 2 - Healthy and safe communities with a good quality environment</i>	
Health	} 7,586
Planning	
Parks & leisure facilities	
Refuse collection & street cleaning	
<i>Priority 3 - Reaching out to everyone</i>	
Housing	} 3,120
Shops	
Public loos	
Parking	
Economic development	
Tourism	
Net cost of services	14,680
Less: internal capital charge for running Wychavon's services	(4,075)
Less: income from cash investments	(2,638)
Less: money taken to reserves to help increase our finances	1,836
Cost of local services met by local and national taxes	9,803

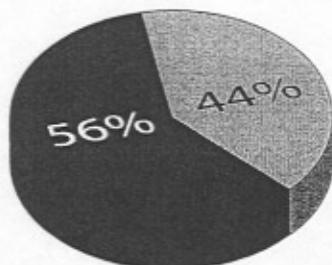
day to day spending



How did we pay?

We spent £9.803 million on running services after allowing for income. We financed our spending using local and national taxes as follows:

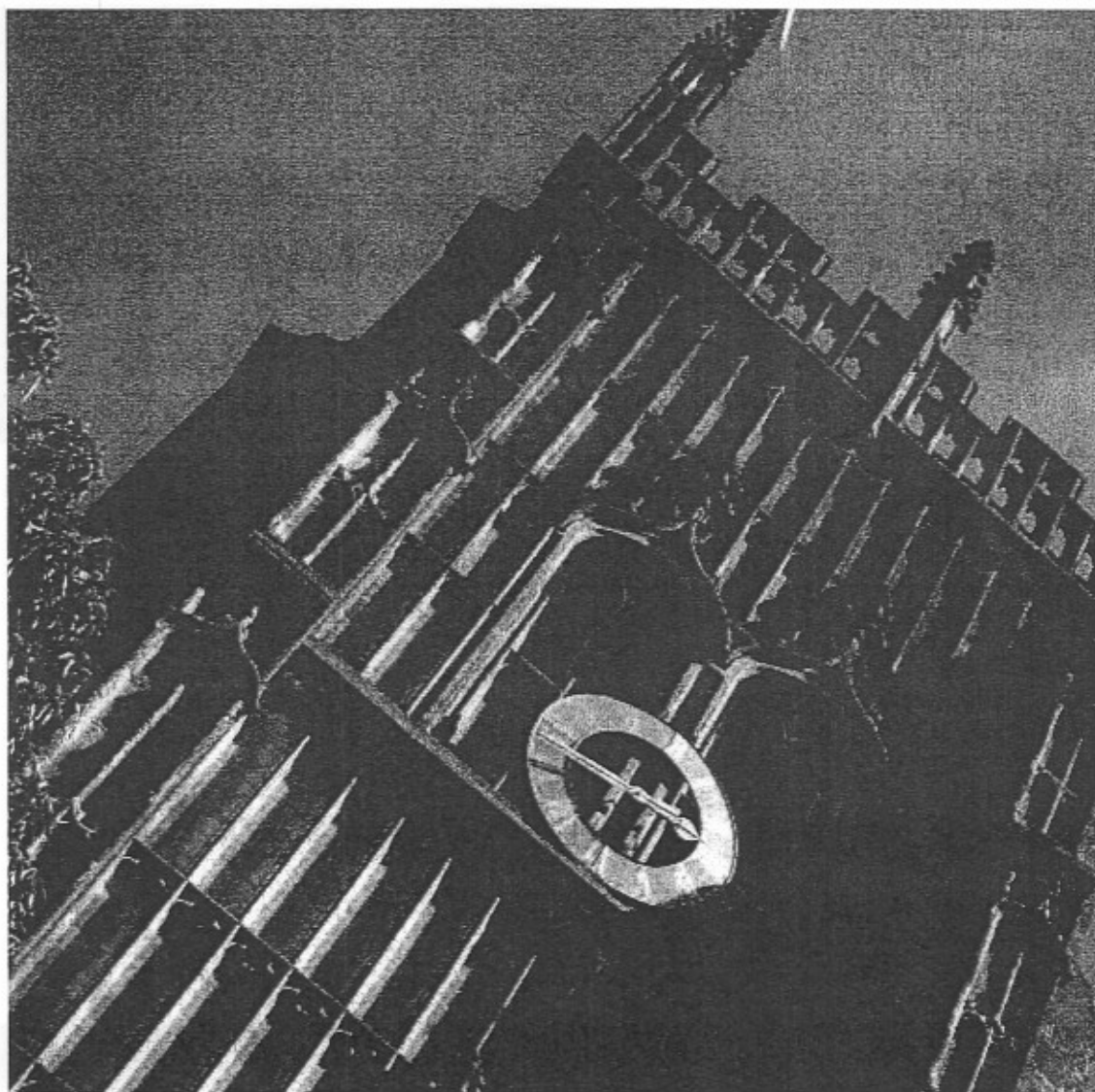
How we paid for services		2004/05 £000
Local taxes	- Council Tax	4,389
National taxes	- Formula Grant	2,454
Business rates		3,103
Total Income		9,946

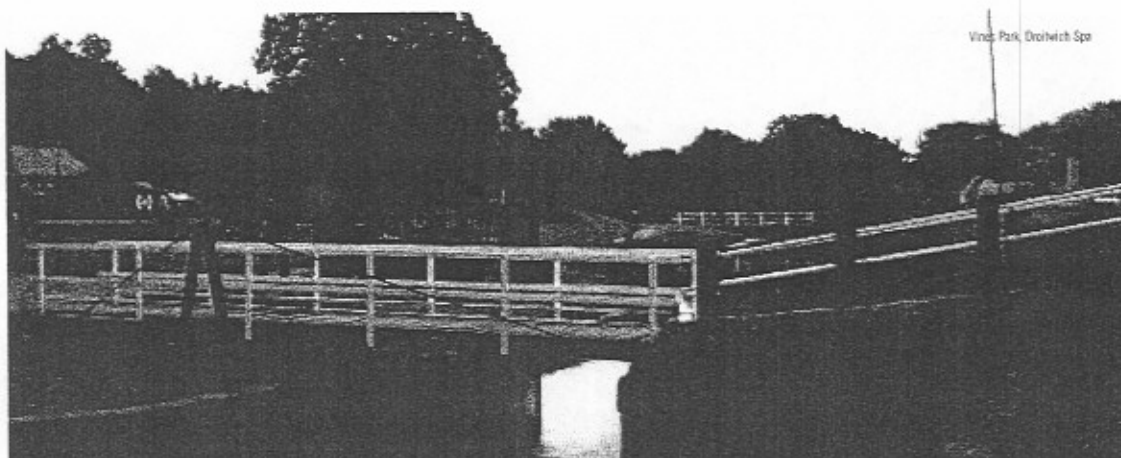


Our total income for 2004/05 was £9.946 million. As the chart below shows, 56% came from national taxes and 44% from Council Tax. Council Tax income represents just 10.2% of gross spending on running services.

■ National Taxes ■ Council Tax

day to day spending





Did we have anything left over?

We spent slightly less than we got in last year leading to a small surplus on our revenue account.

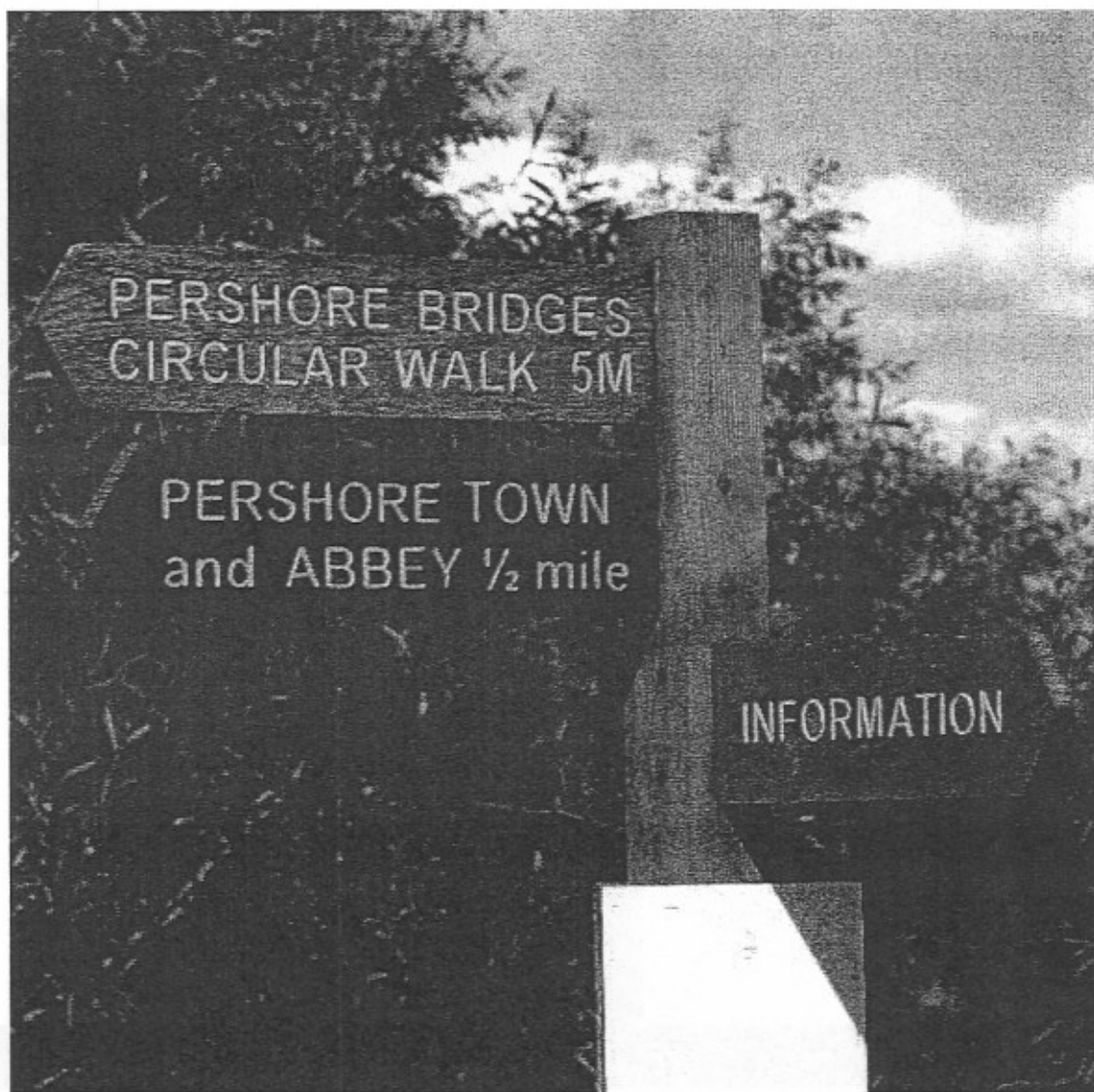
The surplus for the year was added to those from previous years to give a new balance of £4.1 million.

We handled significant amounts of cash during the year:

Revenue account surplus	2004/05 £000
Cost of services	9,803
Income from taxes	(9,946)
Surplus for the year	(143)

Cash flow	2004/05 £m
Cash in bank on 1 April 2004	0.154
Cash in	132.923
Cash out	(133.136)
Cash in bank on 1 April 2005	(0.059)

day to day spending



What did we spend the money on?

We also spend money on buying, improving and repairing our land and property so we can offer first class public facilities. We have to account for this type of spending separately from the running cost of day-to-day services.

How did we pay?

We spent £3.592 million on our land and property assets. We paid for this as follows:

What we spent	2004/05 £000
<i>Priority 1 - Aspire to be excellent</i>	
Droitwich supermarket	839
E Government initiatives	368
<i>Priority 2 - Healthy and safe communities with a good quality environment</i>	
Pershore pool	215
Pershore hospital	344
Liveability Fund projects	102
CCTV schemes	78
<i>Priority 3 - Reaching out to everyone</i>	
Housing grants	700
Town enhancements	190
Skate parks	181
Affordable housing	178
<i>All Priorities - other schemes</i>	397
Total capital expenditure	3,592

How did we pay?	2004/05 £000
Grants and contributions	941
Capital reserves	2,605
Revenue financing	46
	3,592

capital spending

What are we worth?

At the end of each financial year, we draw up a balance sheet that represents how much Wychavon's land and buildings are worth, what is owed to others, what others owe us and how much cash we have:

Reserves and balances	2004/05 £000
Working balances	9,711
Earmarked reserves	3,498
	13,209

Net assets	31 March 2005 £m
Value of land and property	25.6
Cash in bank and cash investments	44.4
Money owed to Wychavon	6.7
Money owed by Wychavon	(26.6)
Total assets less Total liabilities	50.1
Wychavon's reserves	(50.1)

Wychavon's net worth as an organisation is £50.1 million. This is represented by capital reserves of £35.2 million, non cash backed reserves of £1.7 million and revenue reserves of £13.2 million.

Wychavon has a legal responsibility to maintain a sensible level of working balances and reserves. We think the minimum safe level is £2.5 million.

How has Wychavon performed?

Wychavon has three key priorities, that directly support the things that you have told us matter the most to you. Each year we make promises to you on the things we will do to deliver our priorities.

You've seen a summary of what we spent on running day-to-day services and on our land and buildings. This is what we actually achieved with the money we spent last year:

our worth



Priority 1 - aspire to be excellent

- set out what you can expect from frontline services through charters
- excellent treasury management performance (again)
- re-accreditation for Investors in People for good people management and implement leadership development for managers
- delivered 93% of our business using new technology
- extended the range of services offered at council's shops and increase partners involved
- won a second national award for the quality of our public reporting of financial information

The government's spending watchdog commented that

Wychavon has 'sound arrangements in place for securing economy, efficiency and effectiveness in the use of resources'

how we performed

Priority 2 - Healthy and safe communities with a good quality environment

- worked with partners to promote improved health facilities in Evesham and Droitwich Spa
- completed the Local Plan inquiry and publish proposed modifications
- worked with community safety partners to tackle anti-social behaviour
- funded crime reduction initiatives on domestic violence, parenting and mentoring support and drug education
- improved our play areas in parks
- completed two flood alleviation schemes and up to nine feasibility studies

Priority 3 - Reaching out to everyone

- gave £120k to community groups for worthwhile projects that link to community plan priorities
- developed a clear set of housing priorities through a new housing strategy and help people in housing need by piloting support with rent deposits
- consulted and progressed Evesham and Pershore High street improvements to detailed design stage
- funded partnership action plans to improve quality of life in Droitwich Spa, Evesham and Pershore

how we performed



Deputy Managing Director's Statement

As Wychavon's statutory Chief Finance Officer, I can confirm that this year's statement of accounts has been prepared in line with the Accounting Code of Practice. The figures in this summary were compiled having regard to proper accounting practices.

Wychavon's 2004/05 accounts have been audited by an auditor appointed by the Audit Commission - the Government's public spending watchdog. We received an unqualified audit opinion as in previous years.

A full copy of the audited statement of accounts will be available on request in October. Please telephone 01386 565586 to obtain a copy.

S J Rees, CPFA
Deputy Managing Director

All this for £94.03*
the lowest Council Tax in Worcestershire!

*Wychavon District Council's proportion of the Council Tax bill (based on average Band D property)

statement

 **WYCHAVON**
DISTRICT COUNCIL

اگر آپ کو اس دستاویز سے حقیقی اور کاروباری اہم پائی 25121 01905 پر فون کریں۔

ਜੇਕਰ ਤੁਹਾਨੂੰ ਇਸ ਟਸਕਫੋਜ਼ ਬਾਰੇ ਜ਼ਿਆਦਾ ਜਾਣਕਾਰੀ ਦੀ ਲੋੜ ਹੈ ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਟੈਲੀਫੋਨ ਨੰਬਰ 01905 25121 'ਤੇ ਸੰਪਰਕ ਕਰੋ।

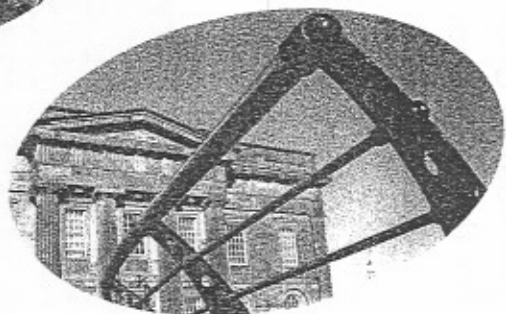
Se con questo documento avete bisogno di aiuto pregasi telefonare a 01905 25121

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App 3

Inverclyde
council



Summary of Accounts

Details of the Council's
spending during 2003/2004
including Education,
Social Work, Leisure,
Roads, Cleansing, Housing,
Economic Development
and Planning

www.inverclyde.gov.uk

2003/04

Director's statement

The Council's Statement of Accounts has been prepared in accordance with the Accounting Code of Practice. The figures in this summary were originally compiled having regard to proper accounting practice. For the purposes of this statement some modifications were made to provide more meaningful information.

The Council's 2003/04 accounts have been audited by an auditor appointed by Audit Scotland. The auditor has issued an unqualified opinion on the Council's full accounts for 2003/04.

A full copy of the Council's 2003/04 audited accounts is available for examination on request. Please telephone 01475 712201 if you wish to purchase a copy. Also this leaflet is available in other formats on request. Please contact Brian Purdie, Head of Performance Management and Policy Development on 01475 712748 for further details.

Carolyn Williamson, CPFA, Director of Corporate Services.
Municipal Buildings, Clyde Square, Greenock PA15 1LY.

Financial review

The following statement by the Director of Corporate Services describes some of the key points on the Council's stewardship of public funds.

Financial Performance We budgeted to break even in 2003/04 after using £0.833m of reserves. The year end position was a surplus of £6.999m, without the need to use those reserves. Included within this surplus is £4.2m for Scottish Executive initiatives where funding was received in 2003/04 but carried forward into the next financial year.

The Revenue Reserve balance was £17.693m as at 31 March 2004, of which £11.385m is earmarked, leaving £6.308m residual reserve. The level which is consistent with sound financial management is £3.5m.

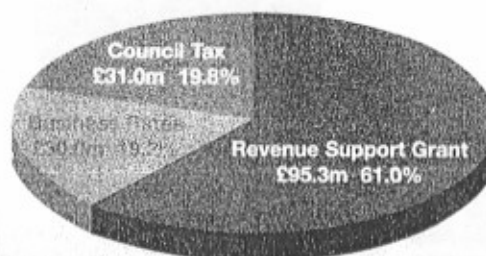
Council Housing The Council owns 9,383 houses, for which it charges rent. It is a legal requirement that all expenditure on these houses is funded from rental income. Any surplus or deficit at the end of the year is either transferred into or out of housing reserves. During the year, expenditure exceeded the income generated by £0.177m. This balance therefore had to be transferred from the housing reserves to supplement the income figure. At the end of the year the housing reserve balance remaining was £1.33m. The level which is consistent with sound financial management is £0.5m.

Capital Expenditure Capital expenditure represents money spent by the Council for the purposes of purchasing, upgrading or improving assets such as buildings and roads. The distinction from revenue expenditure is that the Council receives the benefit from capital expenditure over a longer period of time. The Council spent £22.326m on capital expenditure programmes. A summary is shown on the back page.

The cost of Council services' Revenue Account for the year ended 31 March 2004

The Revenue Account below presents the cost of running Council services between April 2003 and March 2004 and where the money came from to finance those costs along with the surplus at the year end.

Income (£million)



Inverclyde Council had a total income in 2003/2004 of £158 million. As the chart above shows, the majority (61%) of this came from the Scottish Executive. The Council had a surplus income of £6.9 million.

About one-fifth of the Council's income comes from rates levied on business premises.

Total Council Tax income for Inverclyde Council accounts for approximately one-fifth of total expenditure.

	Net Exp £000s
Education	69,943
Social Work	32,456
Housing Services	2,013
Transport Services	7,444
Environment	6,640
Police Services	2,012
Public Health	12,564
Fire Services	14,742
Corporate & other services	2,218
Unapportionable central overheads	5,780
Central services to the public	1,163
Net cost of services	157,905
 Less: Internal charge for use of Council assets	 27,841
	130,064
 Add: Bankruptcy and interest on loans	 23,739
	153,803
 Less: Appropriations and other internal accounting	 4,478
	149,325
 Amount to be met from Government grants and local taxation	 149,325
 Financed by	
Revenue Support Grant	95,367
Business Rates	29,983
Council Tax	30,974
Total	156,324
 Net General Fund surplus for the year	 6,999

Balance Sheet

What the Council owns and is owed

	31 March 2004 £000s
Buildings and land owned by the Council	256,437
Stock	938
Cash in bank	15,256
Money owed to the Council	16,684
Money owed by the Council	(20,307)

269,008

Financed by:	
Borrowing	223,211
Non distributable reserves	25,449
Distributable reserves (*)	20,348

269,008

(*) Distributable reserves comprises the following balances:

General Fund balance:	
Surplus	17,693
Housing Reserve balance	1,330
Insurance Fund	1,219
Useable capital receipts	0
Other reserves	106

20,348

Cash Flow

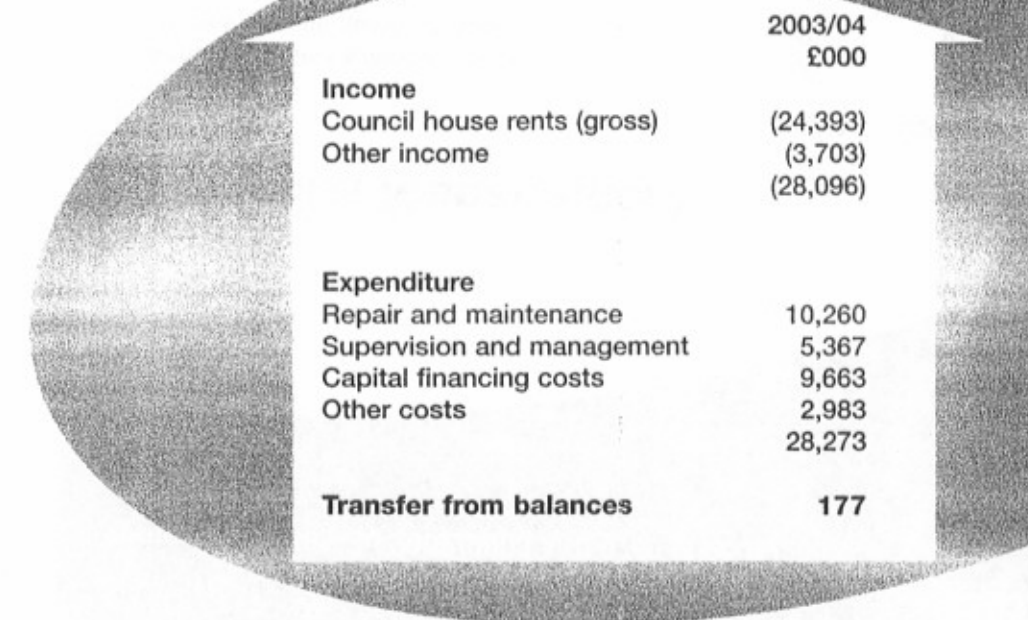
Cash in bank at 31.03.03	£6,596m
Cash in	£239,621m
Cash out	(£230,961m)
Cash in bank at 31.03.04	£15,256m

£11.385m of the General Fund balance of £17.693m has effectively been committed to fund specific earmarked expenditure projects in future years. The majority will be set aside for Better Neighbourhood Funds. Other initiatives include Community Safety, a Children's Change Fund and projects addressing the various social, economic and environmental issues.

The Council has a duty under legislation to maintain a prudent level of General Reserves. A prudent level equates to approximately 2% (£3.5m) of the Council's budget. The balance of £6.308m is above the minimum required.

Housing Revenue Account

The Council owns 9,383 homes. It is a legislative requirement that all expenditure is funded from rental income.



The Council owned the following types and numbers of houses at March 2004:

Houses	2,095
High Rise flats	2,086
Tenements	3,551
Four in-a-block	1,110
Maisonettes	541

Total 9,383

The number of operated houses was reduced by 908, mainly due to sales to tenants.

There were 534 unlet houses at 31 March 2004

How has the Finance Service performed?

		2001/02	2002/03	2003/04
Exchequer Services	Loans fund interest rate	6.15%	6.06%	6.70% (Ω)
	Average rate for Scotland	7.02%	6.73%	(#)
Creditors	Value of invoices £000s	102,656	56,987	67,726 (*)
	Number of invoices processed	98,386	83,371	66,206 (*)
	% paid within 30 days (Inverclyde Council)	74.31%	63.12%	64.59% (*)
	% paid within 30 days (Scottish average)	74.9%	82%	82%
Payroll processing	Value £000s	58,993	62,257	65,128
	Number processed	131,352	131,569	130,647
	% correctly processed	99.66%	99.77%	99.87%
Employee numbers	Total employees of the Council	3,748	3,845	3,873
	Finance Service employees	90.4	85.5	84.0

(*) 2003/04 figures do not include payments with no VAT. These figures are therefore not directly comparable with previous years.

(Ω) Includes 0.68% relating to a one off cost of debt restructuring.

(#) These figures will not be available until January 2005 when Audit Scotland releases its national report.

Council Tax

Description	2001/2002	2002/2003	2003/2004
Population of Inverclyde	84,014	84,203	83,600
Band D equivalents	28,260	28,137	28,300
In year collection Inverclyde	87.00%	88.00%	89.40%
In year collection Scotland	90.60%	91.50%	91.70%
Number of Direct Debits	10,093	12,821	13,400
Value of Direct Debits (£)	11,801	15,103	16,800
% of Direct Debits over total collection	46.30%	55.10%	57.40%
% of total debt collected since 1996	91.7%	92.40%	93.00%

Inverclyde Council collected **89.4%** of Council Tax owed in **2003/2004** compared to **88%** in **2002/2003** and **87%** in **2001/2002**

Financial Management

Description	2001/02	2002/03	2003/04
Annual accounts submitted on time	✓	✓	✓
Number of audit qualifications (*)	1	0	0

(*) The Council's external auditors are required to give an opinion on the financial statements and this opinion should be 'unqualified'. Where the opinion is qualified, each qualification identifies an area where the financial statements are unreliable.

Capital Expenditure

Capital Expenditure generally represents money spent by the Council on purchasing, upgrading and improving assets such as roads and buildings. The Council receives the benefit from capital expenditure over a long period of time. The following table outlines the capital investment made during the year 2003/04.

		2003/2004 Actual £000s
Education	School building maintenance	1,116
	Computers in schools	861
	Healthy living initiatives	65
		2,042
Housing	Council house maintenance	3,374
	Aids & adaptations for private & Council housing	442
	Private sector housing grants	381
		4,197
Social Work	Miscellaneous projects	645
	Glenburn Resource Centre	501
		1,146
Economic Development	Pottery Street development	220
	Industrial and commercial property	204
	Central Gourock development	218
	John Wood Street shops	107
		749
Community	Waterfront development	7,552
	Gourock Pool	53
	Port Glasgow Baths	1,095
	Knocknairshill Cemetery	139
	Skateboard Park	68
	Coronation/Battery Park sea defences	91
		8,998
Corporate	Municipal Buildings works	231
	IT hardware & software replacement	1,776
		2,007
Policy	Miscellaneous repairs, fees & loans	971
		971
Roads	Carriageway, footpath, lighting repairs	2,036
	Flood prevention & winter maintenance	180
		2,216
Total		22,326

Inverclyde Council is committed to openness and transparency in its dealings with customers subject to the need to preserve confidentiality as required by relevant legislation.