

COUNCIL URGENCY COMMITTEE			
Report Title	APPROVAL AND PUBLICATION OF THE AUDITED STATEMENT OF ACCOUNTS 2006/07		
Key decision	NO		Item No. 4
Ward			
Contributors	EXECUTIVE DIRECTOR OF RESOURCES		
Class	Part 1	Date: 25 SEPTEMBER 2007	

### Reason for Lateness and Urgency

The Council are under a statutory duty to publish the Statement Accounts 2006/07 by the 30 September 2007.

#### 1. Executive Summary

Each financial year the publication of the Statement of Accounts and its approval by Council is a statutory requirement. The pre-audit 2006/07 Accounts were agreed by Council on 27 June 2007. Since then the external audit has been in progress and certain changes have been agreed with the District Auditor. The final audited 2006/07 Accounts were reviewed by the Audit Panel on 20 September 2007 and are submitted to this Committee for approval of publication.

#### 2. Purpose

To approve the publication of the audited 2006/07 Statement of Accounts. **The Accounts are contained in the Blue Booklet attached.**

#### 3. Statutory Requirements

- 3.1 Regulation 11 of the Accounts and Audit Regulations 2003 requires authorities to publish the statement of accounts as soon as is reasonably possible after the external audit is concluded but in any event no later than three months after the deadline for approval. The deadline for the 2006/07 Accounts is therefore 30 September 2007. The approval of the audited Statement of Accounts by this Committee will satisfy this statutory requirement.
- 3.2 The Council's compliance with statutory deadlines and performance on the production of the Statement of Accounts is also a key element in the Audit Commission's Corporate Performance Assessment. The financial statements and the summary financial information are key elements in the Financial Reporting theme of the Use of Resources block of the CPA.

Therefore, meeting the statutory deadlines and producing Accounts to a high standard with good quality working papers is a key element in the Use of Resources score. For 2005/06 the Financial Reporting theme was assessed by the District Auditor as a 2. This confers adequate performance and assesses the Council as meeting the minimum requirements.

#### **4. Review of Final Audited Accounts**

- 4.1 Since the pre-audit Accounts were approved by the Audit Panel and Council at the end of June 2007, they have been subject to rigorous checking and audit by the Audit Commission. The audit has now been completed and the District Auditor will be providing his opinion on the Accounts later on the agenda.
- 4.2 During the audit certain amendments to the Accounts have been agreed with the auditors. Most of these changes are trivial and have an immaterial affect on the Council's position. Despite being minor in nature these changes are necessary to ensure the quality and accuracy of the information. The Table in Appendix 1 sets out the more important changes that have been made. None of the items significantly affect the overall financial position. The General Fund surplus for 2006/07 remains unchanged from the pre-audit Accounts at £551k (page 24). Although the Income and Expenditure deficit on page 22 has increased by £1.194m to £47.833m there has been a similar reduction to the Statement of Movement on General Fund Balances (page 25). Therefore the General Fund Balance carried forward of £10.638m (page 24) also remains unchanged. The full list of detailed changes is available from the Executive Director for Resources.
- 4.3 The audited Accounts were also submitted for review to the Audit Panel on 20 September 2007.

#### **5. Management Representation Letter**

The Executive Director for Resources is the officer designated as the Section 151 Officer under the Local Government Act 1972. It is a requirement of the external audit that the Section 151 Officer signs a letter of Representation confirming that she has the responsibility for the proper administration of the financial affairs of the Authority and that the duties that this responsibility entails have been undertaken. The draft letter is attached as Appendix 2.

#### **6. Publication of Statement of Accounts**

- 6.1 Sections 15 and 16 of the Audit Commission Act 1998 give electors the right to question the auditor or object to the

Accounts. The Accounts are required to be available for public inspection for 20 working days prior to the conclusion of the audit and an advertisement placed in the local press to publicise this fact. This public inspection period ended on the 11 September and the 12 September was the day electors were able to question the auditor. It is also a requirement that notice of conclusion of the audit is advertised in the local press.

6.2 This Committee are asked to approve the publication of the Accounts. Following this the District Auditor will be able to provide his formal opinion on the Accounts and formally conclude the Audit. The Accounts will then be available to the general public through copies in the Libraries and on the Authority's website. For a small charge members of the public may also purchase a copy of the Accounts.

6.3 As in previous years a summary of accounts has been provided. A copy is attached at Appendix 3. This will put the Statement of Accounts into a user friendly format for members of the public and other users. This year the summary account information will be incorporated in an Annual Report. It is planned that this will be published during November 07 and be freely available to the public.

## **7 Financial Implications**

These have been addressed in the body of the report.

## **8. Legal Implications**

These have been addressed in the body of the report.

## **9. Equality Implications**

None specifically resulting from this report.

## **10. Crime & Disorder Implications**

None specifically resulting from this report.

## **11. Environmental Implications**

None specifically resulting from this report.

## **12. Conclusion**

The Accounts present fairly the financial position for the year ending 31 March 2007. Approval of the publication of the

audited Accounts by this Committee on will ensure compliance with all statutory requirements.

**For further information please contact Steve Mace, ext.46458, Corporate Resources Division, Resources Directorate.**

IMPORTANT CHANGES TO THE STATEMENT OF ACCOUNTS –			Appendix 1
Amend No.	Account Amended	Explanatory Note	
<b>1</b>	Balance Sheet Government Grants Deferred / I & E Account -£4.7m	Government Grants Deferred are grants in respect of capital expenditure. These grants normally match the depreciation values of the asset over its useful life so that the net charge to the I & E Account is zero at the end of the life of the asset.. The DA has identified that Lewisham's depreciation values and deferred government grant amortisation are out of sink. To bring them back into line will require an increase in Government Grants Deferred of £4.7m. As the bulk of this adjustment relates to prior years the affect is mainly on balance sheet and there is no impact on the General Fund Balance for the year.	
<b>2</b>	Balance Sheet Fixed Assets / Deferred Charges - £2.6m	There is a reduction to fixed assets of £2.6m caused by capital expenditure on assets owned by Silwood SRB being added to LBL Assets. This should have been treated as a deferred charge and not added to Fixed Assets in the Balance Sheet. As all deferred charges have a neutral affect on the I & E Account there is no impact on the General Fund Balance or the HRA Balance for the year.	
<b>3</b>	Balance Sheet Provisions / Deferred Liability Pre-payment - £29.4m & Post Balance Sheet Events	A provision was originally raised for the loan debt liabilities to be transferred from the Hyde Housing Association for the St Johns Housing Estate. Following the receipt of further information concerning the valuation of this Estate it is no longer necessary for the provision or the corresponding deferred liability pre-payment to be raised. These 2 entries for £29.426m have been removed from the balance sheet. The updated position has been disclosed as a Post Balance Sheet Event on page 62 Note 45(b). This states that the cost of redeeming the loan in 2007/08 is £41.341m.	

# Appendix 2 – Management Representation Letter

To: Philip Johnstone  
Audit Commission  
1st Floor Millbank Tower  
Millbank  
London  
SW1 4HQ

## **London Borough of Lewisham - Audit for the year ended 31 March 2007**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Lewisham Council, the following representations given to you in connection with your audit of the council's financial statements and the pension fund accounts for the year ended 31 March 2007.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which present fairly and for making accurate representations to you.

I confirm that there are no uncorrected financial statements misstatements, of which we are aware, which would have a material effect on the accounts, either individually or in aggregate.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

### **Representations**

There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

### **Supporting records**

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council meetings, have been made available to you.

## **Ownership Testing**

For the three assets in your sample where you were unable to obtain appropriate documentation to support ownership, I can confirm that to the best of my knowledge, these assets belong to Lewisham Council.

## **Related party transactions**

I confirm the completeness of the information provided regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

## **Contingent liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

## **Law, regulations and codes of practice**

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

## **Irregularities**

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

### **Post balance sheet events**

Since the date of approval of the financial statements by the Audit Panel and the Full Council, a significant post balance sheet event has occurred which required additional disclosure in the financial statements. This has been noted on page 62 of the Statement of Accounts and concerns a loan guarantee provided to Hyde Housing Association for the St Johns Housing Estate for £29.028m. On 28 June 2007 this loan was novated to the Council and the Estate transferred to the Council .

Signed on behalf of the London Borough of Lewisham

Janet Senior CPFA  
Executive Director for Resources





# Lewisham financial summary 2006/07

# Introduction To Council Spending: Financial Year 2006/07

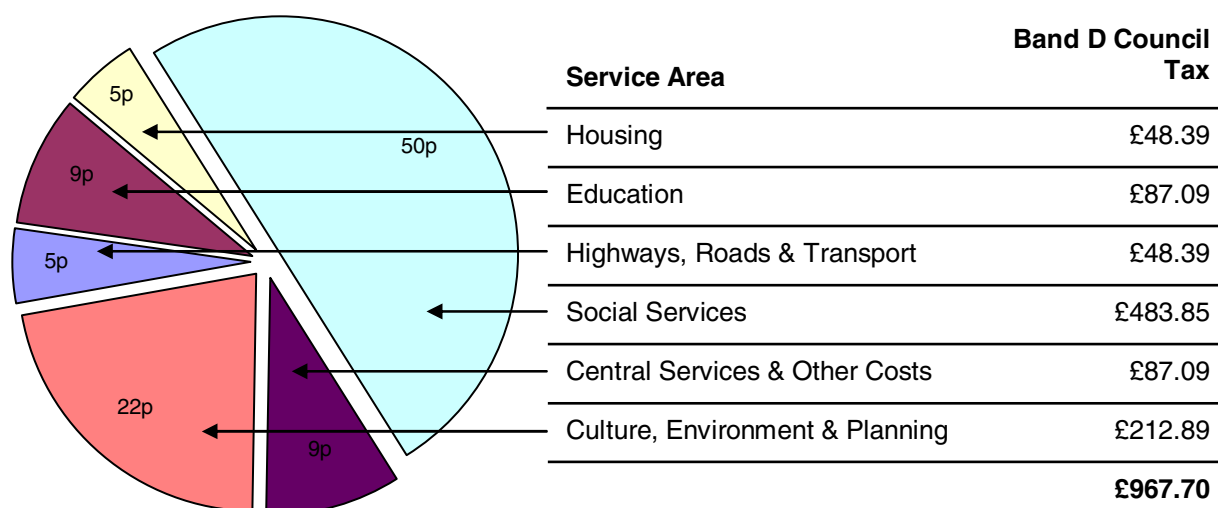
This leaflet contains information from Lewisham's 2006/07 end of year Accounts which summarises the Council's financial position. It shows details of spending on services and also major capital works such as Housing. There is also a summary of the financial position at the end of the year which indicates what the council owns and what it owes. Revenue spending funds the day-to-day costs of services including salaries and running costs, over the course of the year. Income is received from government grants, council tax, business rates and some other sources. Capital expenditure, such as the re-roofing of council dwellings, is spending on items of benefit to the community for longer than one year. Money for this comes from either loans, grants, or from cash balances. We hope this leaflet provides you with the information you are looking for in an easy to use way. If there is more information you require or there are improvements to the leaflet you would like to see please contact us. Please see contact details on the back page. Please note the Council's Accounts and the financial position have been checked and agreed by the District Auditor.

**JANET SENIOR**  
Executive Director for Resources



## The cost of council services: Financial Year 2006/07

The councils net expenditure for the Financial Year April 2006 – March 2007 totalled £249.886m. This was split between services and support functions in the ratio as shown in the pie chart below. The figures to the right of the pie chart show the breakdown of a Band D payment of Council Tax for Lewisham's services, totalling £967.70 (total Band D Council Tax was £1,256.31 including the GLA element of £288.61, which covered services such as the Metropolitan Police, Transport for London and London Fire and Emergency Planning Service).



The Lewisham Residents Survey undertaken between November and December 2006 identified the issues of Primary concern to the representative population interviewed. The table below shows most of these areas and how Council Tax (Band D used as an example) funding was used in each of the areas.

SERVICE AREA	MAJOR SERVICE AREAS	Net Expenditure (£000s)	Band D Council Tax Contribution
EDUCATION	Adult and Community Learning	£653	£2.53
	Primary Schools	£7,108	£27.53
	Secondary Schools	£6,194	£23.99
	Special Schools	£4,059	£15.72
HIGHWAYS, ROADS & TRANSPORT	Traffic Management	£319	£1.24
	Structural Maintenance of Roads and Bridges	£4,777	£18.50
SOCIAL SERVICES	Childrens Homes	£10,695	£41.42
	Fostering Services	£11,147	£43.17
	Home Care for Adults Over 65	£9,849	£38.14
CENTRAL SERVICES	Council Tax Collection	£3,757	£14.55
CULTURE, ENVIRONMENT & PLANNING	Household Refuse Collection	£5,523	£21.39
	Recycling	£1,470	£5.69
	Parks and Open Spaces	£4,377	£16.95
HOUSING	Housing Services	£13,094	£50.71

# Financial Overview: Financial Year 2006/07

## What Lewisham Owns and Owes

Position at 31.03.2007

£000s

<b><u>COUNCIL ASSETS</u></b>	Fixed Assets (land, buildings, vehicles, etc)	2,292,322
This section indicates items owned or used solely by the Council	Other long term assets	77,814
	Short term investments	100,014
	Stocks	375
	Money owed to the Council (debtors/prepayments)	59,904
<b><u>COUNCIL LIABILITIES</u></b>	Money owed by the Council (creditors, receipts in advance, short term borrowing)	(208,219)
This section shows the short term and long term financial commitments of the Council	Pensions liability	(235,977)
	Deferred government grants and capital receipts	(114,450)
	Provisions and long term borrowing	(359,610)
	<b>TOTAL ASSETS AND LIABILITIES</b>	<b>1,612,173</b>
<b><u>FINANCING</u></b>	Usable reserves	110,099
This section shows the sum of the Council's resources	Non-usable reserves	1,502,074
	<b>TOTAL EQUITY</b>	<b>1,612,173</b>

## Capital Expenditure

Actual Spend

£000s

<b><u>Spend on Housing</u></b>	Decent Homes Schemes	23,087
	Energy efficiency programme	3,032
	Other schemes	24,697
<b>Total</b>		<b>50,816</b>
<b><u>Community Services</u></b>	Moonshot re-opening	1,833
	Wavelengths Pool	845
	Bellingham Family & Young People Gateway Building	656
	Other Schemes	3,316
<b>Total</b>		<b>6,650</b>
<b><u>Customer Services</u></b>	All Schemes	813
<b><u>Children &amp; Young People</u></b>	Grouped Schools PFI	4,421
	Building Schools for the Future	2,391
	Other Schemes	12,399
<b>Total</b>		<b>19,211</b>
<b><u>Regeneration</u></b>	TfL Projects	3,108
	Highways Best Value Review	2,541
	New Cross New Deal for Communities	2,329
	Other Schemes	6,261
<b>Total</b>		<b>14,239</b>
<b>TOTAL CAPITAL SPENDING</b>		<b>91,729</b>