

MANCHESTER CITY COUNCIL
REPORT FOR RESOLUTION

COMMITTEE: Audit Committee
DATE: 27 June 2008
SUBJECT: Annual Accounts 2007/08
REPORT OF: The City Treasurer

PURPOSE OF THE REPORT.

To report the 2007/08 Annual Accounts to the Committee for the purpose of robust scrutiny and to seek its approval of them, and to the Annual Governance Statement included therein as required by the Accounts and Audit Regulations 2006.

RECOMMENDATIONS.

1. The Committee is asked to approve the 2007/08 Annual Governance Statement.
2. The Committee is asked to approve the 2007/08 Annual Accounts.
3. To exercise urgency powers under Paragraph 1 of the General Terms of Reference of Committees in respect of the above decision on the grounds that the legal and financial position of the Council will be prejudiced if approvals were not finalised before 30th June 2008, there being no Council Meeting prior to 30th June.

FINANCIAL CONSEQUENCES FOR THE REVENUE BUDGET.

This report contains details of expenditure incurred in 2007/08.

FINANCIAL CONSEQUENCES FOR THE CAPITAL BUDGET.

None.

CONTACT OFFICERS.

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BACKGROUND DOCUMENTS.

Working Papers - 2007/08 Consolidation Files (Room 127)

IMPLICATIONS FOR:

Anti Poverty

No

Equal Opportunities

No

Environment

No

Employment

No

INTRODUCTION.

1. This report sets out the background to the requirement for Members to approve the Annual Accounts together with brief notes on the statements within the accounts.

REQUIREMENT FOR APPROVAL.

2. The Accounts and Audit Regulations issued by the Department for Communities and Local Government set out the requirements for the production and publication of the annual Statement of Accounts.
3. These regulations include a requirement that the full Council or a Committee of Members should approve these Statements prior to their publication and audit. This is not an Executive function. The approval, for the 2007/08 accounts, must be within three months of the financial year-end i.e. by 30th June.
4. An additional requirement in the regulations is that the Chair of the Committee that approves the accounts should sign the accounts when they have been approved.
5. If the audit of the accounts results in any material amendment this has to be reported to the same group of Members as soon as practicable after receipt of the auditor's report.
6. International Standard on Auditing (ISA) 260 requires that any unadjusted non-trifling misstatements found during the audit of the accounts have to be reported back, by the Auditor, to the Audit Committee to seek written representations for not adjusting the accounts. This meeting has to take place before the audit opinion is issued. If a report is required it will be submitted to the Committee on 26th September.
7. The Annual Governance Statement, which is included within the accounts, is to be approved specifically and separately by the Committee, which approves the accounts. Audit Committee at its meeting on 29th May considered a report containing the draft Governance Code and Annual Governance Statement and supporting assessment of Manchester's performance against the code, which was overseen by the Strategic Management Team. The Annual Governance Statement has identified areas where further improvements need to be made and where the Council will need to focus its efforts during 2008/09. These have been set out in the programme for improvement at the end of the statement. As a result the Annual Governance Statement has been completed and signed by the Leader of the Council and the Chief Executive. Members are requested to approve this Statement.

STATEMENT OF ACCOUNTS.

8. The Statement of Accounts contains the following sections: -

Foreword that sets out the background to the financial year with a summary of the outturn position.

Statement of Accounting Policies that indicates the compliance with the Accounting Code of Practice and policies adopted for the preparation of the accounts.

The Statement of Responsibilities for the Statement of Accounts that sets out the responsibilities of the City Treasurer.

Income and Expenditure Account that details the net cost for the year for all functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

Statement of Movement on the General Fund Balance that reconciles the outturn on the Income and Expenditure Account to take account of the statutory provisions that specify the net expenditure that the Council has to take into account when setting local taxes. This statement shows the General Fund Reserve carried forward.

Statement of Total Recognised Gains and Losses brings together all gains and losses of the Council for the year and shows the aggregate change in its net worth.

Balance Sheet that sets out the financial position of the Council at 31st March 2008 and provides analysis of balance sheet transactions.

Cash Flow Statement that shows the analysis of cash movements on revenue and capital during the year (to follow)

Notes to the accounts as required by the Statement of Recommended Practice.

Housing Revenue Account that contains a summary of expenditure and income for the HRA together with the required notes.

Collection Fund that details the income received and expenditure incurred together with required notes.

Group Accounts that consolidate the accounts of the Council with its subsidiaries, associates and joint ventures. This contains a group revenue

account, group balance sheet, group cash flow and group statement of total recognised gains and losses together with related notes.

The Annual Governance Statement which summaries the authority's review of the effectiveness of its overall governance arrangements including its system of internal control.

KEY ISSUES IN THE STATEMENT OF ACCOUNTS.

9. The overall general fund outturn shows a surplus of £7.565m, resulting in a general reserve of £29.033m. This surplus is mainly as a result of underspendings on capital financing costs and unused contingencies. The Council has also increased provisions where it considered this was required.
10. In response to comments by the Audit Commission following the audit of the 2006/07 accounts additional resources have been allocated to the closedown process. As a result of this issues have been addressed earlier with the External Auditors and additional time has been available for an independent review of the accounts. More details are reported in Grant Thornton's interim accounts report which forms a separate agenda item.
11. The accounts will be available for public inspection from 9h July to 5th August.
12. The audit of the accounts will commence shortly and the Auditor expects to issue his formal report in September.

RECOMMENDATIONS.

13. Members are recommended to approve the Statement of Accounts for the year ended 31st March 2008.