

STATEMENT OF ACCOUNTS 2006/07 & 2007/08 – UPDATE

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Summary and Recommendation

This report provides the Audit Committee with an update on the completion of the audit of the Accounts 2006/07 and 2007/08, following the agreement of the Annual Governance Reports 2006/07 and 2007/08, presented by the District Auditor at the Committee's previous meeting on 27th March 2009.

The material errors to the Accounts 2006/07 and 2007/08 which were explained at the previous meeting are clearly highlighted in the appendices to this report, in accordance with Section 18(4) of the Accounts and Audit Regulations 2003. No further action is required by the Audit Committee.

Recommendation

The Audit Committee are recommended to note the contents of this report.

1 INTRODUCTION

- 1.1 At its meeting of 27th March 2009, the Audit Committee received Annual Governance Reports from the District Auditor setting out the findings from the audit of the Accounts for 2006/07 and 2007/08.
- 1.2 The District Auditor informed the Audit Committee that the audit process was at an end and he was intending, in the light of the corrections made to the accounts, to issue an unqualified opinion on both sets of Accounts, i.e. that the accounts presented fairly, in accordance with applicable laws and regulations, the financial position of the Authority.

- 1.3 At the meeting, the District Auditor talked through the findings of the audit. The material errors in the original set of accounts, which had been corrected, were verbally highlighted. Under the Accounts and Audit Regulations 2003, Regulation 18 (4), the Authority's responsible financial officer is required to notify the Committee which approved the statement of accounts of the material amendments to them.
- 1.4 The purpose of this report is to notify the Committee formally of the material errors. The appendices attached to the report are a repeat of those presented to the Audit Committee at its meeting of 27th March (subject to a revision downwards of one error in 2006/07, linked to the gross cost of externally funded activities, which was verbally reported by the District Auditor at the meeting) but they have been highlighted to show the material errors.
- 1.5 In addition, Members will remember the request from the District Auditor at the meeting to provide in the disclosure notes an explanation of a post-balance sheet event concerned with the potential impact to asset valuations in the period between 31st March 2007 and 2008 respectively and the date of the authorisation of the Accounts (i.e. 30th and 31st March 2009 respectively) as a result of the economic downturn and the decrease in market valuations of assets.
- 1.6 Assistance was provided by the Authority's external valuers (Capita) at short notice on Friday 27th March, and the disclosure note was prepared by the Accountancy Services Manager on Monday 30th March which enabled the District Auditor to formally provide his audit opinion to the 2006/07 Accounts later on 30th March and the audit opinion to the 2007/08 Accounts on 31st March. Therefore, we have agreed opening balances for 2008/09 and finance can progress forward.

2 ACCOUNTS 2006/07 AND 2007/08

- 2.1 Members will remember the Annual Governance Reports for 2006/07 and 2007/08 set out, in the supporting Appendices (Appendix B in both cases), the errors and adjustments which had been actioned to correct the Accounts.
- 2.2 Under the Accounts and Audit Regulations 2003, Regulation 18 (4), the Authority's responsible financial officer is required to notify the Committee which approved the statement of accounts of the material amendments to them. For completeness, and clarity, these material errors are highlighted in Appendices A and B. Those in yellow are individual errors, and those coloured in other colours are one error each, but which impact on several lines.

2.3 Appendix A sets out the corrections to the 2006/07 accounts. The material errors in the 2006/07 accounts were as follows:-

- Two material errors in the I&E Account – the incorrect netting off treatment and classification of the PFI grant as a specific grant, rather than a general grant, and the incorrect netting off of income from external agencies and third parties, i.e. showing only the net cost to the authority, rather than the gross cost matched by external income.
- Three material errors in the Balance Sheet – omissions of assets relating to assets owned by the authority but not recorded in the balance sheet, incorrect classification of loans, as determined by their maturity date, incorrect classification of preserved right to buy capital receipts as revenue reserve rather than a capital receipt.
- Complete restatement of the Statement of Recognised Gains and Losses to ensure Statement of Recommended Practice (SORP) compliance.
- One material error in the Cashflow Statement – incorrect treatment of the Safer and Stronger Communities Grant as a capital grant, and thus not recognising the increase in revenue cash inflows from government grants.

2.4 Appendix B sets out the corrections to the 2007/08 accounts. The material errors in the 2007/08 accounts were as follows:-

- Two material errors in the I&E - the incorrect netting off treatment and classification of the PFI grant as a specific grant, rather than a general grant, and the incorrect classification of private sector housing renewals expenditure as Cultural, Environment and Planning Services, rather than Housing expenditure.
- One material error in the Balance Sheet – incorrect adjustments to the capital adjustment account as a result of recognising assets in the 2006/07 accounts.
- One material error in the Statement of Total Recognised Gains and Losses – as a result of the assets previously missed from the asset register. They had been originally recognised in 2007/08, but due to corrections to recognise the assets in 2006/07, these entries were not required and had to be corrected.

- Three material errors in the Cashflow Statement - input error misstating the income from council tax receipts, and two incorrect classification of loans, as determined by their maturity date, resulting in two errors.
- 2.5 The Audit Committee on 27th March received the Use of Resources Report 2007/08 from the Audit Commission, where the Auditor's judgement was that the Authority had performed poorly and across five areas, 3 were scored a 1, and 2, scored a level 2, resulting in an overall score of 1. Financial Reporting is a key area of consideration for the Audit Commission in reaching its Use of Resources opinion. 2007/08 was the last year of the CPA assessment framework, but financial reporting will continue to be assessed under the Comprehensive Area Assessment framework.
- 2.6 The difficulties the Authority experienced in 2007/08 in producing a set of annual accounts in accordance with relevant standards and timetables supported by comprehensive working papers are reflected in the Use of Resources assessment.
- 2.7 The completed Action Plans of the Annual Governance Reports in response to the auditor's findings indicate areas of improvement for financial reporting performance.
- 2.8 I do not wish to repeat the Action Plans agreed by the Audit Committee at 27th March meeting, but key to securing improvements include, that the organisation recognises the importance of financial reporting; ensuring the finance function is properly resourced; key posts are filled; key post holders keep abreast of changes to the SORP; financial system reconciliations are conducted methodically through the year, by appropriately skilled staff; clear plans for closure of accounts are in place and achieved by finance and the other departments; time is allowed for reflection of the draft accounts and quality assurance checking; consideration of accounting treatments are evidenced; detailed working papers are maintained; and where possible, there is continuity of staff preparing the accounts and addressing the auditor's queries.
- 2.9 Elsewhere on today's agenda, you will receive a report setting out the Accounting Policies for 2008/09 and I will provide a verbal update on the progress of closure of accounts processes. I provided the Audit Committee with the Closure of Accounts 2008/09 summary timetable, by memorandum, on 23rd March 2009. The Closure Plan was distributed to budget managers on 17th February 2009 and work continues apace.

2.10 Finally, the Audited Statement of Account for 2006/07 and 2007/08 have been posted on the Council's website and formal notification to the public of the completion of the audit will be published in the local press shortly, in accordance with the Accounts and Audit Regulations 2003.

Julie Crellin
9 April 2009

List of Appendices:-

Appendix A – Summary of Amendments 2006/07 (Annual Governance Report 2006/07)

Appendix B – Summary of Amendments 2007/08 (Annual Governance Report 2007/08)

List of Background Documents : Annual Governance Reports 2006/07 and 2007/08 from the Audit Commission (Audit Committee Agenda 27th March 2009).

List of Consultees : None

Appendix A – Summary of amendments 2006/07

The following errors were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Amendments made to primary financial statements

Primary financial statement	Item of account	Description of error	Amendment made £000s
Income and Expenditure Account	Increases gross expenditure on central services to the public.	Expenditure was increased by £520k to reflect the costs of Central Services' use of Copeland House. This had previously been netted off against PFI grant income and rental income from external sources.	520 (expenditure) 190 (income)
	Increases gross income on central services to the public.	The increase was primarily due the transfer of £175k of second home discount income from Corporate and Democratic Core to Central services.	
Income and Expenditure Account	Increases gross expenditure on housing services.	Reflects the costs of Housing Services' use of Copeland House. This had previously been netted off against PFI grant income and rental income from external sources.	148 (expenditure)

Appendix A – Summary of amendments 2006/07

Primary financial statement	Item of account	Description of error	Amendment made £000s
Income and Expenditure Account	Increases gross expenditure on cultural, environmental and planning services.	<p>Expenditure was increased by £760k to reflect monies passed to third parties by the Council but where it retains a controlling influence. Income was increased by the same amount. Previously these figures had been netted off.</p> <p>Expenditure was increased by £169k to reflect the costs of cultural, environmental and planning services' use of Copeland House. This had previously been netted off against PFI grant income and rental income from external sources.</p> <p>Expenditure was increased by £314k for land management expenditure that had previously been shown against Corporate and Democratic Core expenditure.</p>	1,225 (expenditure) 1,352 (income)

Appendix A – Summary of amendments 2006/07

Primary financial statement	Item of account	Description of error	Amendment made £000s
	Increases gross income on Cultural, environmental and planning services.	<p>Income was increased by £760k to reflect grant received by the Council and passed on to third parties (see above). Income was further increased by £103k for land management income previously shown against Corporate and Democratic Core income.</p> <p>Income was increased by another £488k to reflect grant received to offset funding of capital expenditure that did not enhance asset values. There is a corresponding entry to the Statement of Movement on the General Fund Balance (SMGFB) to ensure that this does not impact on the General Fund balance.</p>	

Primary financial statement	Item of account	Description of error	Amendment made £000s
Income and Expenditure Account	Decreases gross expenditure on corporate and democratic core.	<p>The main adjustment was a reduction of £523k in both income and expenditure in respect of the insurance holding account to avoid double-counting of insurance costs and incorrect disclosure of the recharge as income.</p> <p>Expenditure was reduced by £314k for land management expenditure that should have been shown against cultural, environmental and planning services.</p> <p>Expenditure was increased by £115k to recognise audit fees that had not been accrued.</p> <p>Expenditure was increased by £162k to reflect grant received by the Council and passed on to third parties. Income was increased by the same amount. Previously these figures had been netted off.</p>	612 (expenditure) 691 (income)
	Decreases gross income on Corporate and democratic core.	As stated above, income was reduced by £523k in respect of the insurance holding account. Income was reduced by a further £175k due to the transfer of second home discount income from Corporate and Democratic Core to Central Services.	

Appendix A – Summary of amendments 2006/07

Primary financial statement	Item of account	Description of error	Amendment made £000s
Income and Expenditure Account	Decrease in gross income from discontinued operations.	Decrease in income was due to an adjustment to Housing Subsidy claim following the audit of the claim.	564 (income)
Income and Expenditure Account	Increase in loss on disposal of fixed assets.	The bulk of this adjustment (£345k) was required to recognise the disposal of fixed assets which had taken place in previous years. Despite being disposed of, the assets remained in the asset register and on the balance sheet.	379
Income and Expenditure Account	Increase in income and expenditure on trading operations.	This reflects the change in accounting treatment for rental income received from the sub-letting of part of Copeland House which is now shown under trading operations. The corresponding costs are also shown under trading operations.	493 (expenditure) 493 (income)
Income and Expenditure Account	Increase in general government grants.	This adjustment relates to the recognition of PFI grant as a general grant (£837k) rather than Central Services income and an accrual for the Local Authority Business Growth Initiative (LABGI) grant (£110k).	947
Balance sheet	Increase in tangible fixed assets - other land and buildings.	This adjustment relates to assets owned by the Council but not included in the asset register or the balance sheet.	927

Appendix A – Summary of amendments 2006/07

Primary financial statement	Item of account	Description of error	Amendment made £000s
Balance sheet	Increase in tangible fixed assets - non operational assets.	This adjustment relates to assets owned by the Council but not included in the asset register or the balance sheet (£2,553k) and assets disposed of or sold by the Council but wrongly included within the asset register and the accounts.	2,553 (345)
Balance sheet	Increase in long term investments. Decrease in short term investments.	This adjustment mainly relates to loans of £6m which were originally disclosed as short term investments but were found to have maturity dates more than 12 months after the balance sheet date.	6,010
Balance sheet	Increase in creditors.	Major items were recognition of HRA subsidy owed back to the Department for Communities and Local Government (DCLG) (£564k) and accrual of audit fees (£115k).	692
Balance sheet	Increase in Fixed Asset Restatement Account (FARA).	This adjustment is to recognise fixed assets previously missed from the balance sheet (see other land and buildings, and non operational assets above). They have been recognised in the balance sheet as a revaluation in 2006/07.	3,135
Balance sheet	Decrease in the Capital Financing Account (CFA).	Adjustments relate to reversal of 2006/07 Minimum Revenue Provision (MRP) (£76k), Correction of Adjustment A in the Capital Financing Requirement (CFR) calculation (£110k), and release of previous years' incorrect calculation of MRP (750K).	937

Appendix A – Summary of amendments 2006/07

Primary financial statement	Item of account	Description of error	Amendment made £000s
Balance sheet	Increase in the usable capital receipts.	£1,716k relates to reclassification of Preserved Right to Buy (PRTB) receipts as a capital receipt rather than an earmarked revenue reserve. A further £242k relates to revenue expenditure previously financed from PRTB receipts. As capital receipts cannot be used to finance revenue expenditure the expenditure has been charged to the General Fund and the capital receipts recognised in the usable capital receipts account.	1,956
Balance sheet	Increase in the General fund balance.	The increase of £835k in the General Fund balance is as a result of £110k residual HRA balance being transferred to the General Fund balance, and the net impact of other adjustments highlighted in this schedule.	835
Balance sheet	Decrease in earmarked reserves.	This reduction in earmarked reserves is primarily as a result of the reclassification of £1,716k PRTB receipts as usable capital receipts. This reduction was offset by reclassifying £61k of creditor/provision balances as earmarked reserves.	1,654
Cashflow statement	Increase in revenue cash inflows relating to other government grants.	Increase of £1,383k is due to recognition of Safer Stronger Communities Grant. Previously treated as a capital grant (see below).	1,383

Appendix A – Summary of amendments 2006/07

Primary financial statement	Item of account	Description of error	Amendment made £000s
Cashflow statement	Increase in capital cash outflows relating to purchase of long term deposits.	This relates to the need to recognise that £6m of investments purchased in year had maturity dates more than 12 months after the balance sheet date.	6,000
Cashflow statement	Decrease in capital cash inflows relating to capital grants received.	Decrease relates to £1,383k Safer Stronger Communities Grant being reclassified as revenue grant (see above).	1,383
Cashflow statement	Decrease in short term deposits.	This relates to the need to recognise that £6m of investments purchased in year had maturity dates more than 12 months after the balance sheet date.	6,000
Cashflow statement (2005/06 comparators)	Increase in revenue cash outflows relating to other operating cash payments. Increase in revenue cash inflows relating to other government grants.	Adjustment to ensure that the other government cash inflow in the primary statement is consistent with the supporting note. Other operating cash payments represents a balancing figure and is increased by the same amount.	1,288
Statement of Movement on the General Fund Balance (SMGFB)	Increase on Government grants deferred amortisation.	Adjustment to SMGFB to ensure £488k capital grant credited to Income and Expenditure account does not impact on General Fund balance.	488

Appendix A – Summary of amendments 2006/07

Primary financial statement	Item of account	Description of error	Amendment made £000s
Statement of Movement on the General Fund Balance (SMGFB)	Reduction in net gain on sale of fixed assets.	This bulk of this adjustment (£345k) was required to recognise the disposal of fixed assets which had taken place in previous years. Despite being disposed of, the assets remained in the asset register and on the balance sheet.	379
Statement of Movement on the General Fund Balance (SMGFB)	Insertion of new line: re-categorisation of revenue expenditure from capital.	This relates to revenue expenditure previously financed from PRTB receipts. This adjustment is to charge the expenditure against the General Fund balance as capital receipts cannot be used to finance revenue expenditure.	242
Statement of Movement on the General Fund Balance (SMGFB)	Reduction of MRP for provision for capital financing.	Adjustments relate to reversal of 2006/07 MRP (£76k), Correction of Adjustment A in CFR calculation (£110k), and release of previous years' incorrect calculation of MRP (750K).	937
Statement of Movement on the General Fund Balance (SMGFB)	Reduction in HRA Surplus in year	Relates to reduction in HRA surplus as a result of the audit of Housing Subsidy claim.	564
Statement of Movement on the General Fund Balance (SMGFB)	Reduction in net transfer to or from earmarked reserves/ other statutory funds.	Increase of £61k due to write off of NNDR debtors on the Collection Fund. Reduction of £110k due to transfer of residual HRA balance to General Fund.	49

Primary financial statement	Item of account	Description of error	Amendment made £000s
HRA Income and Expenditure Account	Reduction in HRA subsidy receivable.	Relates to reduction in HRA surplus as a result of the audit of Housing Subsidy claim.	564
Statement of Total Recognised Gains and Losses (STRGL)	The STRGL was completely restated as the original version was not SORP compliant.	The STRGL was completely restated as the original version was not SORP compliant.	N/A

The adjustments referred to above have impacted on the primary financial statement. As a result of these changes, further adjustments were required to the notes to the accounts to ensure all statements remained internally consistent. In addition, other changes were made to the notes to the accounts and the most significant ones are outlined below.

Amendments made to explanatory foreword / disclosure notes

- There were a number of changes made to the Explanatory Foreword including:
 - re-stating some of the bar charts to reflect changes made to the accounts;
 - correcting inconsistencies between the reserve figures disclosed and those disclosed in the balance sheet; and
 - correcting inconsistencies between the actual capital expenditure disclosed and that disclosed in the capital financing statement.
- Amendments to accounting policies to correct the use of incorrect terminology and reference to out of date legislation.
- Note 3 amended to reflect the fact that the Housing Revenue Account (HRA) was formally closed on 4 April 2006 rather than 4 April 2007.

- Note 12 on the revenue provision for the repayment of external debt was amended to reflect the fact that the Council has now identified an error in the Minimum Revenue Provision (MRP) calculation set aside in previous years. This has resulted in an increase of £750,000 in General Fund balances. In addition another £110,902 was added back into General Fund balances to address the previous incorrect calculation of Adjustment A.
- Note 13 on capital expenditure has been re-named as the 'Movement on fixed assets' to reflect what the note actually discloses. The figures in this note have been extensively amended to reflect the changes in the value of fixed assets as some assets with a net book value of £3.135m were not originally included within the accounts.
- Note 14 on capital expenditure and how it was financed was amended to provide more detail on what the capital expenditure represented. A number of amendments were made to the analysis of the sources of finance.
- Note 16 - capital commitments note referred to the project to refurbish the Beacon and the total cost of the project being £2.2m. However, this note has been amended to reflect the fact that the actual capital commitment at 31 March 2007 was only £1.46m.
- Note 21 on the net assets employed has been significantly amended as the original analysis only disclosed the General Fund balance, earmarked reserves, HRA and Collection Fund. The note had incorrectly excluded other balances such as, Fixed Asset Restatement Account (FARA), Capital Financing Account (CFA) and usable capital receipts.
- New note added on long term investments to reflect the changes required in re-classifying £6m of investments as long term.
- Note 26 on short term investments amended to reflect the changes required in re-classifying £6m of investments as long term.
- Note 29 on creditors amended to reflect the recognition of additional HRA subsidy owed to DCLG.
- Note 33 on the movement on reserves amended extensively to reflect the correction of the treatment of PRTB receipts, the introduction of assets owned by the authority but not included within the accounts and the closure of the HRA and transfer of the balance to the General Fund.
- Note 36 on retirement benefits has been extended to provide disclosures relating to the analysis of the movement on the net pension liability, the assets and liabilities of the pension fund attributable to the Council and an analysis of the actuarial gains and losses for the last five years. All of these disclosures are required by the SORP.
- Note 37 amendments to the notes supporting the cashflow statement to reflect the reclassification of £6m of investments between long and short term. Additional amendment to the note supporting the analysis of government grants to include £1.383m of safer stronger communities grant.

Appendix A – Summary of amendments 2006/07

- Introduction of a new note on the date of authorisation for issue of the accounts. This was a SORP requirement in 2006/07 but had been excluded.
- The surplus on the HRA for the year was reduced to £24k and therefore reduced the closing balance on the HRA to £110k. The accounts were amended to show that the HRA closed during 2006/07 and that the £110k closing balance was transferred to the General Fund balance.

Appendix B – Summary of amendments 2007/08

- 1 The following errors were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Table 1 Amendments made to primary financial statements

Primary financial statement	Item of account	Description of error	Amendment made £000s
Income and Expenditure Account	Decreases gross expenditure on central services to the public. Decreases gross income on central services to the public.	Expenditure was reduced by £837k because all costs relating to Copeland House were previously incorrectly charged against Central Services. They have now been charged to relevant service lines, and where costs are recovered from external bodies, to Trading Services. Income was reduced by £1,357k because PFI grant and income from external sources in respect of leasing of Copeland House was previously shown against Central Services. PFI grant of £837k has now been shown as a general Government grants with external income, and the associated costs, have been recorded as Trading Operations below the net cost of services.	837 (expenditure) 1,357 (income)

Primary financial statement	Item of account	Description of error	Amendment made £000s
Income and Expenditure Account	<p>Decreases gross expenditure on cultural, environmental and planning services.</p> <p>Decreases gross income on Cultural, environmental and planning services.</p>	<p>The primary cause of the adjustments is a transfer of £1,068k private sector renewals expenditure from Cultural, Environment and Planning services to Housing services. This has the effect of reducing both income and expenditure by £1,068k.</p> <p>Expenditure is also increased by £162k to reflect cultural, environmental and planning services' share of the costs of Copeland House.</p>	<p>906 (expenditure) 1,068 (income)</p>
Income and Expenditure Account	<p>Increases gross expenditure on housing services.</p> <p>Increases gross income on housing services.</p>	<p>As above, the primary cause of the adjustment is a transfer of £1,068k private sector renewals expenditure from Cultural, Environment and Planning services to Housing services. This has the effect of increasing both income and expenditure by £1,068k.</p> <p>Expenditure is also increased by £141k to reflect Cultural, Environmental and Planning services' share of the costs of Copeland House.</p>	<p>1,209 (expenditure) 1,068 (income)</p>

Appendix B – Summary of amendments 2007/08

Primary financial statement	Item of account	Description of error	Amendment made £000s
Income and Expenditure Account	Decrease in loss on disposal of fixed assets.	This relates to the removal of assets which had been disposed of in previous years but remained in the Council's balance sheet and asset register. This adjustment has now been made in the 2006/07 accounts and therefore there is no loss to be charged in 2007/08.	344
Income and Expenditure Account	Increase in income and expenditure on trading operations.	This reflects the change in accounting treatment for rental income received from the sub-letting of part of Copeland House which is now shown under trading operations. The corresponding costs are also shown under trading operations.	520 (expenditure) 520 (income)
Income and Expenditure Account	Increase in general government grants.	This adjustment relates to the recognition of PFI grant as a general grant rather than Central Services income.	837
Balance sheet	Decrease in debtors.	The main adjustment is the transfer of a £561k loan made by the Council from debtors to short term investments. This is offset by some increases to the debtor balance including an increase of £110k in respect of Local Authority Business Grant Initiative (LABGI) grant.	419

Appendix B – Summary of amendments 2007/08

Primary financial statement	Item of account	Description of error	Amendment made £000s
Balance sheet	Increase in short term investments	As above, this is due to the transfer of a £561k loan made by the Council from debtors to short term investments.	561
Balance sheet	Decrease in creditors.	This relates to £655k unapplied capital grant which was incorrectly shown in the creditor balance. It has now been transferred to capital grants unapplied.	655
Balance sheet	Increase in capital grants unapplied.	As above, this relates to £655k unapplied capital grant which was incorrectly shown in the creditor balance. It has now been transferred to capital grants unapplied.	655
Balance sheet	Increase in capital adjustment account (CAA).	<p>There were a number of adjustments made to the CAA. The most significant was due to recognising assets in the 2006/07 accounts which had previously been missed from the balance sheet and the asset register. This increased the brought forward balance on the CAA by £3,479k. The balance was further increased through the recognition of £561k loan as capital expenditure.</p> <p>The balance was reduced by £995k in respect of assets disposed of in 2007/08. The balance relates to the revaluation gains held in the revaluation reserve relating to these assets. The assets have now been recognised in 2006/07 as they were missed from the asset register and there is no balance in the revaluation reserve to write off to the CAA in 2007/08.</p>	3,065

Appendix B – Summary of amendments 2007/08

Primary financial statement	Item of account	Description of error	Amendment made £000s
Balance sheet	Decrease in revaluation reserve (RR).	<p>The most significant adjustment is a decrease of £3,479k in respect of assets previously missed from the asset register and balance sheet. These were originally recognised as a revaluation in 2007/08 but have now been recognised in the 2006/07 accounts and hence there is no posting required to the revaluation reserve in 2007/08.</p> <p>The balance was increased by £995k to reverse the write off of disposed asset revaluation gains as described above.</p>	2,484
Balance sheet	Decrease in capital receipts reserve.	This is due to the recognition of a loan made by the Council as capital expenditure. It has been financed by capital receipts and therefore the capital receipts reserve has reduced.	581
Balance sheet	Increase in the General fund balance.	This relates to LABGI grant which had not previously been recognised.	142

Appendix B – Summary of amendments 2007/08

Primary financial statement	Item of account	Description of error	Amendment made £000s
Statement of Movement on the General Fund Balance (SMGFB)	Reduction in deficit for the year.	This is as a result of amendments to the I&E account described above. The main adjustment impacting on the I&E deficit is the removal of £344k loss on disposal of fixed assets which has now been recognised in 2006/07.	376
Statement of Movement on the General Fund Balance (SMGFB)	Decrease in net additional amounts required by statute and non statutory proper practices to be debited and credited to the general fund balance for the year.	This relates to the removal of £344k loss on disposal of fixed assets which has now been recognised in 2006/07.	344
Statement of Total Recognised Gains and Losses (STRGL)	Reduction in deficit for the year.	This is as a result of amendments to the I&E account described above. The main adjustment impacting on the I&E deficit is the removal of £344k loss on disposal of fixed assets which has now been recognised in 2006/07.	376
Statement of Total Recognised Gains and Losses (STRGL)	Decrease in the surplus for the year arising on the valuation of fixed assets.	This relates to assets previously missed from the asset register and balance sheet. These were originally recognised as a revaluation in 2007/08: they have now been recognised in the 2006/07 accounts.	3,479

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Appendix B – Summary of amendments 2007/08

Primary financial statement	Item of account	Description of error	Amendment made £000s
Cashflow statement	Increase in revenue cash outflows relating to other operating cash payments.	Other operating cash payments is a balancing item in the cashflow statement and reflects adjustments made to other revenue inflows and outflows.	4,409
Cashflow statement	Increase in revenue cash outflows relating to housing benefits paid out.	The Council had incorrectly shown the housing benefit grant received rather than that paid out.	378
Cashflow statement	Increase in revenue cash inflows relating to council tax receipts.	This understatement is due to an input error to the spreadsheet used by the Council to generate the cashflow figures.	2,998
Cashflow statement	Increase in revenue cash inflows relating to DWP grant for benefits.	This was due to an error in the working papers. Grant received had actually been shown as housing benefit paid out.	413

Appendix B – Summary of amendments 2007/08

Primary financial statement	Item of account	Description of error	Amendment made £000s
Cashflow statement	Decrease in revenue cash inflows relating to other government grants.	The main element of this adjustment was a double-counting of Local Area Agreement (LAA) grant of £862k. There was also a £251k overstatement of Planning Delivery Grant received in year and various other (smaller) items that had not been correctly converted to cash.	1,439
Cashflow statement	Increase in revenue cash inflows relating to cash received for goods and services.	This is a balancing figure for cash inflows. £1m relates to the adjustments made to DWP grant and Other Government Grants. The balance relates to other adjustments in the cashflow and other statements.	2,616
Cashflow statement	Decrease in capital activities relating to the purchase of fixed assets.	The amendment is because of incorrect adjustments made for opening and closing creditors.	315
Cashflow statement	Increase in capital activities relating to the payment of renovation and other deferred charges.	The amendment is needed because of incorrect adjustments made for opening and closing creditors.	210

Appendix B – Summary of amendments 2007/08

Primary financial statement	Item of account	Description of error	Amendment made £000s
Cashflow statement	Decrease in capital activities relating to capital grants received.	This is due to £655k unapplied grant which had previously been shown as a creditor.	655
Cashflow statement	Decrease in capital activities relating to other capital receipts.	This related to a £6m investment which moved from long term to short term because the maturity date is now within 12 months of the balance sheet date. It has now been treated as a non cash movement.	6,000
Cashflow statement	Increase in capital activities relating to other capital payments.	This related to the £561k loan made by the Council.	561
Cashflow statement	Reduction in management of liquid resources relating to net increase in short term deposits.	This is due to reclassifying £3,503k call account investments as cash in the 2006/07 comparatives, and treating £6,000k increase in short term investments as a non-cash movement. The net impact of these adjustments is to reduce the increase in short term deposits by £2,497k.	2,497

The adjustments referred to above have impacted on the primary financial statement. As a result of these changes, further adjustments were required to the notes to the accounts to ensure all statements remained internally consistent. In addition, other changes were made to the notes to the accounts and the most significant ones are outlined below.

Amendments made to explanatory foreword/disclosure notes

- There were changes made to the Explanatory Foreword including re-stating some of the pie charts to reflect changes made to the accounts and to the Council's three year budget strategy.
- Note 11 on tangible fixed assets has been extensively amended to reflect the fact that some assets, which were brought into the accounts for the first time in 2007/08 as revaluations, should have been in the brought forward balances from 2006/07 as these assets were already owned by the Council.
- Note 11 also showed capital expenditure and how it was financed. The analysis of the sources of finance was amended to show £895k being financed from the single capital pot with a corresponding reduction in financing from government grants and other contributions. This note was also amended to show the loan made by the Council as capital expenditure.
- A new note analysing the £3.065m of deferred charges has been added as this was a SORP requirement that had been omitted.
- Note 12 on capital commitments was amended to reflect the £364k commitment that the Council has at 31 March 2008 to fund housing renovations and provide facilities for the disabled.
- Note 22 on debtors amended to reflect reductions in sundry debtors and payments in advance.
- Note 23 on short term investments increased by £561k to reflect the outstanding value of the loan made by the Council. In addition the comparator for 2006/07 was amended by £3.503m to reflect the change in classification, in 2007/08, of on call funds as cash rather than an investment.

Appendix B – Summary of amendments 2007/08

- Note 24 on financial instruments has been significantly amended including:
 - financial liabilities held at amortised cost failed to include creditors (£1,646k) and bank overdraft (£1,205k);
 - financial assets held at amortised cost failed to include debtors (£3,274k);
 - a reconciliation between the debtors and creditors disclosed in the financial instrument note and those disclosed in the balance sheet;
 - disclosure of the value of debtors (£149k) who are outstanding for more than the Council's 21 day credit limit for customers; and
 - disclosure of estimated maximum exposure to debtors defaulting.
- Note 26 on creditors amended to reflect reductions in amounts owed to government departments.
- Note 28 on provisions extended to provide commentary on the reason for the insurance provision.
- Note 30 amended to include the required disclosures for reconciling items for the Statement of Movement on the General Fund Balance. These were previously included within Note 31 on the movement on reserves but did not provide comparators as required by the SORP.
- Note 31 on the movement on reserves amended to reflect the impact of various changes made to the accounts.
- Note 36 provides the disclosures required to support the Cashflow statement. Various amendments were required in these notes in order to reflect changes made to the Cashflow statement, balance sheet and Income and Expenditure account. The most significant amendments were to show the transfer of £6m from long to short term investments as a non-cash movement, and the restatement of the analysis of government grants.