

# Audit Committee

Thursday, 28 June 2007

**Present:** Councillor Anthony Gee (Chair) and Councillor Magda Cullens

Officers Present: Gary Hall (Director of Finance) and Dianne Scambler (Trainee Democratic Services Officer)

## 07.AU.09 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors A Cain, M Devaney, K Iddon and M Wilson.

## 07.AU.10 DECLARATIONS OF ANY INTERESTS

No declarations of interest were declared.

## 07.AU.11 FINANCIAL STATEMENT 2006/07

The Director of Finance submitted the draft accounts for 2006/2007 for approval by the Committee. The accounts presented the revenue and capital information in the form required by the Local Authority Statement of Recommended Practice.

The 2006/2007 financial year had been particularly interesting and important. In the year the Council's stock was transferred to Chorley Community Housing, the Council had undertaken a series of significant Directorate Restructures and a new Chief Executive and Administration had led the organisation.

The key messages contained within the statement were as follows:

- Normal activity on the General Fund had been slightly underspent against its cash target, however a provision to pay interest on the Gillibrand Link Road would absorb that underspend.
- The Council had been required to use part of its working balances as a result of the provision for interest required on the Gillibrand Scheme.
- An additional amount of money had been provided for in relation to expected payments to the developer for the Gillibrand Compensation. Ultimately this may be more or less dependant upon the arbiter's findings. A contingent liability had been identified in the accounts that represented the maximum amount the developer could be awarded by the arbiter.

The Members expressed their concerns regarding the additional resources that had needed to be identified in order to pay the developer for the Gillibrand Compensation.

The Director of Finance explained that the contingent liability had been identified and that any future payment would probably have to be found from Section 106 monies and although Members agreed that this was a necessity, they were still disappointed that this money would not be spent on improving services as had been intended.

Whilst the Members lay no blame on any particular individual they sought to request a report from the Executive Cabinet as to why the Council had found itself in this position, what could be done to alleviate the impact of the situation, and what preventative measure would be put into place to avoid this happening again.

- A greater surplus from that originally budgeted had been generated on the Housing Revenue Accounts, due in part to the final arrangements in relation to stock transfer.
- End of year balances were still within the range identified in the Council's Financial Strategy.
- The Collection Fund had accrued a small deficit for the year.
- The Council Pension deficit had reduced slightly. Whilst this had been welcome, the Council still had a scheme that requires further funding.

The Council this year produced a statement that reviewed the Council's governance arrangements and this had been included in the accounts.

During the year the targets set for savings in relation to both staff turnover and efficiencies were met. In the underspend there had been a number of key expenditure areas where there was significant cost pressures, namely:

- Waste management
- Concessionary Travel

Both of these items had been reported in budget monitoring as performance issues, and had been as a result of greater than expected demand for the services.

Overall the Council's cash flow was positive in the year, receiving more cash than we paid out.

Significant movements in the balance sheet position were outlined by the Director of Finance and a number of issues clarified for Members.

The Director of Finance reported that 60% of people currently paid their Council Tax by Direct Debit and Members suggested this could be improved on if the period required to pay was increased from 10 months to 12 months.

The Statement showed that in overall terms the financial standing of the Council remains good. Working balances (including the transferral from the Housing Revenue Account) are at a level that covers the inherent risk, particularly in relation to the risk of an adverse outcome from the arbiter regarding the Gillibrand Link Road Compensation.

- RESOLVED – 1. That the report be noted.**
- 2. That the Financial Statement of Accounts year ending 31 March 2007 be approved and signed off by the Chair.**
- 3. That the Executive Cabinet be asked to submit a report to the Audit Committee as to the adverse outcome of the Gillibrand Link Road Compensation on the Council and what measures be put in place to minimise its impact on the Council's finances.**

Chair