

POLICY, FINANCE AND ADMINISTRATION COMMITTEE

29 JUNE 2010

REPORT OF HEAD OF FINANCIAL SERVICES

STATEMENT OF ACCOUNTS 2009-10

1.0 THE PURPOSE OF THE REPORT

1.1 The purpose of this report is to submit the Statement of Accounts for 2009-10 for approval which have been prepared in accordance with the Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendments) Regulations 2004 and inform the Committee of the key issues within the accounts.

2.0 RECOMMENDATIONS

2.1 **It is recommended that:**

(a) The Statement of Accounts for 2009-10 be approved and signed by the Chairman.

3.0 BACKGROUND

3.1 The Accounts and Audit Regulations 2003 (the Regulations) as amended require a Statement of Accounts to be produced and approved by the appropriate committee. For the financial year 2009-10 this approval must be by 30 June 2010. The accounts must also be published by 30 September 2010 and will be available for public inspection from 12th July to 10th August 2010.

3.2 The format of the accounts is largely governed by the Statement of Recommended Practice (SORP) guidance notes produced for Local Authority Accounts by the Chartered Institute of Public Finance & Accountancy (CIPFA).

3.3 The Regulations require the person presiding at the committee at which the accounts are approved to sign and date the Statement of Accounts.

3.4 It should be noted that the accounts are still subject to audit and therefore amendments could be required as a result of the auditors' findings.

4.0 KEY ISSUES

4.1 The Statement of Accounts essentially shows the year end revenue and capital position in a prescribed format as required by the SORP. A report considering the General Fund (GF) and Housing Revenue Account (HRA) position in comparison to the budget is discussed in more detail in a separate report on this committee's agenda. The provisional HRA year end position was also reported to a meeting of the Community & Social Affairs Committee on 23rd June 2010. Key points to note in relation to the GF, the HRA, the Capital Programme and the Balance Sheet summarising the Council's assets and liabilities at the 31st March 2010 are set out overleaf.

4.2 There were a number of changes introduced into the 2009 SORP that have amended the requirements for disclosure and presentation in the Statement of Accounts and these are discussed below:

Examples of the more minor and relevant ones are as follows:

- Removal of the requirement for a note on Section 137 expenditure. This relates to discretionary expenditure which can be incurred by the Council under the Local Government Act 1972 to benefit all or some of its inhabitants i.e. community grants.
- Removal of the requirement for a note on Publicity expenditure.
- Removal of the requirement for a note on the Building Control Account.
- Changes in the reporting requirements for senior officers' remuneration i.e. changing the bandings in the scale from multiples of £10k to £5k and changes to the definition of the meaning of remuneration and senior officer. These have been introduced to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior officers charged with the stewardship of the Council.

The following material changes in accounting policy have been introduced:

a) New provisions for agency accounting in respect of Council Tax:

- The Council Tax income included in the Income & Expenditure Account for the year is the accrued income for the year as at 31 March 2010. This contrasts with previous accounting requirements where Council Tax income included in the Income & Expenditure Account represented the amounts required under regulation to be transferred from the Collection Fund to the General Fund on a cash basis. The year-end surplus or deficit on the Collection Fund for the previous year used to be distributed between the Council and the precepting authorities i.e. LCC, Fire and Police on the basis of estimates made on 15 January of the year-end balance.
- The difference between the income included in the Income & Expenditure Account and the amount required by regulation to be credited to the General Fund is taken to a new Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.
- Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the Council from Council Tax debtors belongs proportionately to the Council and the major preceptors. There will therefore be a debtor/creditor position between the Council and each major preceptor to be recognised, since the cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.

b) New provisions for agency accounting in respect of NNDR:

- The 2009 SORP confirms that the collection of National Non-Domestic Rates (NNDR) is carried out as an agency activity on behalf of central government and should be accounted for accordingly.

4.3 GF & HRA REVENUE ACCOUNTS

4.3.1 The service classification within the Income and Expenditure Account (shown on page 14 of the Statement of Accounts) is presented in line with CIPFA's Best Value Accounting Code of Practice and is therefore not directly comparable with the format of the Council's budget.

4.3.2 The explanatory foreword provided at the beginning of the Statement of Accounts compares the final year end position against the original budget approved in February 2009. In summary the Council overspent its original General Expenses budget by a net £61k and overspent its original Special Expenses budget by a net £19k.

When compared to the estimated year end position (spending forecast but not formally approved budget), as reported to Full Council on 3 February 2010, there is an underspend for General Expenses of £217k. For Special Expenses there is an overspend of £14k. Within the overall financial position there are a number of services that have underspent their budget resulting in the sum of £221k being proposed to be carried forward into 2010-11. When taking this into account the result is an overspend on General Expenses of £4k. There were no such carry forwards for Special Expenses. The reasons for the General Expenses and Special Expenses variances against budget are explained in a separate report on this committee's agenda.

4.3.3 There was also an underspend of £62k relating to the HRA when compared to the original budget or an overspend of £158k when compared to the latest approved budget; the reasons for which were explained to the Community & Social Affairs Committee in a meeting held on 23 June 2010.

4.3.4 The effect of the overspend identified in paragraph 4.3.2 above is to reduce the Corporate Priorities Reserve from £1,000k at 1st April 2009 to £821k at 31st March 2010. This is after providing for a contribution to the capital programme of £27k. The General Reserve for Special Expenses (MM) has reduced from £18k to nil in the same period after providing for a contribution to the capital programme of £1k. The HRA working balance in the same period has increased from £43k to £95k. As set out in the report elsewhere on the agenda there are a number of commitments made against these reserves in 2010-11.

4.4 CAPITAL PROGRAMME

4.4.1 Total capital expenditure for all funds amounted to £5,256k which represents an underspend of £0.526k on the approved programme of £5.782k; of this underspend £523k has been carried forward into 2010-11. Included in the figures is an amount of £1k relating to expenditure incurred on reinstatement which has had to be capitalised following the fire to the Council offices in May 2008. Full details of the year end position relating to capital were reported to a meeting of this committee held on 21 April 2010.

4.5 BALANCE SHEET

4.5.1 Closer analysis of the Balance Sheet tells us, for example, the Council's position on reserves whether past capital expenditure is financed or subject to borrowing arrangements, explains whether money owed to the Council exceeds money owed by it and explains what resources the Council has to invest. However, it should be noted that the figures shown in the Balance Sheet are a snapshot taken on one day i.e. 31st March 2010.

Reserves

a) The balance on the Corporate Priorities Reserve has reduced from £1,000k at 1st April 2009 to £821k at 31st March 2010. The balance on the General Reserve for Special Expenses (MM) for the same period has reduced from £18k to nil. This is after increasing the working balance for General Expenses from £580k to £640k as budgeted for and as approved in the Council's Medium Term Financial Strategy (MTFS). For Special Expenses (MM) the working balance has reduced from £50k to £42k as a result of insufficient reserves to fund the overspend on Special Expenses. The level of reserves will need to be adjusted in 2010-11 in order to reflect the carry forward of both capital and revenue budget over/underspends from 2009-10 and the estimated position on the reserves is covered in a separate report on this committee's agenda.

- b) The working balance on the HRA has increased from £43k at 1st April 2009 to £95k at 31st March 2010. This is still below the minimum level of £250k as recommended in the Council's Medium Term Financial Strategy (MTFS) and officers have prepared an action to restore this level back to the recommended level of £250k by 2011-12.
- c) The balance on the Pensions Reserve shows an excess of liabilities over assets of £17.458 million. This is a notional figure only as the accounts for pensions are held by the County Council. It does, however, give an indication of the underlying commitments that the Council has in the long-term to pay retirement benefits. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the pension scheme actuary.

Capital Accounts

- a) An analysis of the Balance Sheet allows us to determine whether the actual amount of borrowing during the year for capital purposes is significantly different from the Capital Financing Requirement (CFR). The CFR represents the amount of borrowing required to fund capital expenditure after utilising all other funds available e.g. capital receipts, capital grants, capital and revenue contributions, etc. The following table indicates that the Council's actual borrowing was within the level of the CFR:

Analysis of Balance Sheet	31-Mar-10 £'000	31-Mar-09 £'000
Fixed Assets	112,947	106,479
Less Financing to date	-103,666	-99,146
CFR (Borrowing Requirement)	9,281	7,333
Less Long Term Borrowing	8,588	6,988
Under Borrowing	693	345

- b) The net borrowing except in the short term should not exceed the CFR and at the 31 March 2010 was below that figure, primarily due to the use of internal borrowing. The Council is increasing its use of internal borrowing due to the fall in investment returns compared to the rate at which the PWLB is lending at over the long term. This is to ensure that borrowing levels are prudent and over the medium term the Council's external borrowing, net of investments, is only for a capital purpose.

Debtors and Creditors

- a) The following table illustrates that there is an excess of debtors (money owed to the Council) over creditors (money owed by the Council) which shows that cash flow is less than healthy. However, as mentioned above, the figures shown in the Balance Sheet are a snapshot at 31st March. It can be more useful to make comparisons over time hence the previous year's figures shown. The main reasons for the change related to the large increase in the short term debtors figure is explained below:

- There is a payment due from the Government of £573k in respect of business rates. This compares to the previous year when the Council owed the Government £480k in respect of business rates. This is due to the difference between the estimated amount of rates to be collected which was calculated in January 2009 and the actual amount of rates due for the year. The main difference, however, is due to a change in legislation affecting empty property rates which came in after the calculation was made.
- There is an increase in the Collection Fund debtors relating to the major preceptors of £218k as a result of the deficit on the Collection Fund due to a higher level of arrears.

- The remaining balance of £591k is predominantly attributable to an increase in general debtors and reserve debtors. Included in this balance is an invoice raised to LCC in March 2010 for the sum of £316k. This represents their share of the costs incurred up to the 31 March 2010 for the new Council offices.

Analysis of Balance Sheet	31-Mar-10	31-Mar-09
	£'000	As Restated
		£'000
Creditors	2,623	2,838
Less:		
Stocks and Work in Progress	0	0
Long Term Debtors	-7	-11
Prepayments	-2	-1
Short Term Debtors	-4,375	-2,585
Excess of Creditors over Debtors	-1,761	241

Cash Resources

- a) The following table shows that where there have been cash resources available that these have been invested either internally or externally in order to both maximise the Council's income from interest receipts or reduce interest paid. The previous year has been included for comparison purposes.

Analysis of Balance Sheet	31-Mar-10	31-Mar-09
	£'000	As Restated
		£'000
Cash Resources		
- Useable Capital Receipts & Contributions	1,106	755
- Earmarked Reserves	1,137	1,222
- Balances	781	678
Funds Available for Investment	3,024	2,655
Excess of Creditors over Debtors	-1,761	241
Resources / Cash Available for Investment	1,263	2,896
Investments		
- Short Term	1,000	3,350
- Cash & Bank	99	-244
- Net Investments	1,099	3,106
Excess (-) / Deficit of Investments over Resources	164	-210

The level of cash resources has decreased primarily as a result of the reduction in the level of funds available for investment following planned spending on both the revenue budget and capital programme and the use of internal borrowing.

5.0 POLICY AND CORPORATE IMPLICATIONS

- 5.1 The Statement of Accounts is a corporate document. The Statement of Accounts (subject to audit) has been advertised as available for public inspection and the auditors available to answer questions. Following the completion of the audit the audited accounts will be advertised on the Council's website and be available for purchase.

6.0 FINANCIAL & OTHER RESOURCE IMPLICATIONS

- 6.1 There are no further financial and resource implications other than those identified above.

7.0 **LEGAL IMPLICATIONS/POWERS**

7.1 As set out above the requirements covering the arrangements for the production, approval and publication of the Statement of Accounts is governed by the Accounts and Audit Regulations 2003 as amended.

8.0 **COMMUNITY SAFETY**

8.1 There are no direct community issues arising from this report.

9.0 **EQUALITIES**

9.1 There are no direct equality issues arising from this report.

10.0 **RISKS**

10.1 There is a risk that the accounts will not be signed off by the auditors as a result of errors; however, every effort has been made to ensure the accuracy of the Statements.

11.0 **CLIMATE CHANGE**

11.1 There are no climate change issues arising from this report.

12.0 **CONSULTATION**

12.1 The Council's external auditors have been consulted in preparing the Statement of Accounts.

12.2 The public are provided with an opportunity to question the auditor on the accounts (see also paragraph 5.1).

13.0 **WARDS AFFECTED**

13.1 All wards are indirectly affected.

Contact Officer:	David Cowl, Chief Accountant
Date:	15 June 2010
Appendices:	Appendix A - Statement of Accounts 2009-10
Background Papers:	Final Accounts Working Papers CIPFA SORP CIPFA Disclosure Checklist
Reference:	X: Committees/PFA/2010-11/29-06-10/DG-Statement of Accounts