

Committee: Finance & Administration

Agenda Item

Date: 24 September 2009

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Title: 2008/09 Outturn – Audit Adjustment

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Item for
decision

Summary

- 1 There was only one adjustment arising from the audit of the 2008/09 accounts that has financial implications. This report summarises the adjustment and asks Members to approve an adjustment to reserves balances as at 31 March 2009.
- 2 It was identified during the audit that pensions-related accounting entries should be adjusted by £671,000 of which £589,000 related to General Fund and £82,000 Housing Revenue Account (HRA).
- 3 This adjustment increases revenue balances as at 31 March 2009 by the equivalent amounts. It is proposed that the General Fund increase be applied to the Landsbanki Contingency Fund, and the HRA increase applied to the HRA Working Balance.
- 4 The finalised Statement of Accounts itself will be submitted to the Performance Select Committee on 29 September, along with the External Auditor's report.

Recommendations

- 5 The Committee is recommended to approve the adjustment to revenue balances as at 31 March 2009 as set out in this report.

Background Papers

[Outturn report](#) to Finance & Administration Committee 25 June 2009

[Draft Statement of Accounts](#) reported to Performance Select Committee 30 June 2009

Impact

Communication/Consultation	None
Community Safety	None
Equalities	None
Finance	An increase in revenue balances as at 31 March 2009 of £671,000 of which £589,000 is General Fund and £82,000 is HRA.
Human Rights	None
Legal implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Pensions – accounting adjustments required

- 6 To prepare the Statement of Accounts, a series of complex accounting adjustments have to be made to comply with accounting rules.
- 7 The objective of the accounting adjustments is to:
 - a) Ensure that the accounts show the full economic cost of the ongoing liabilities arising from membership of the Local Government Pension Scheme
 - b) Ensure that the bottom line impact on the General Fund and Council Tax Payer is equal to the cash payments made into the Pension Fund during the year.
- 7 In practice this means:
 - a) Charging actual employer's contributions as made via monthly payroll to a revenue account.
 - b) Removing the actual contributions made from the accounts above and replacing it with notional measures of the full economic effects based on information supplied by Essex County Council (initial version received 30 April, finalised version received 4 June). This has to be analysed by service category in accordance with the CIPFA Best Value Accounting Code of Practice (BVACOP). The BVACOP service categories bear no relation to the Council's committee budget structure.
 - c) Reversing out the notional entries so that no notional items impact upon the bottom line.
 - d) Reinstating the actual employer's contributions into the revenue account.
 - e) Ensuring that payments made in relation to the pension fund deficit are properly reflected in the accounts.
 - f) Reflecting the Council's share of the historic pension fund deficit on the balance sheet.
 - g) Ensuring that payments made in relation to Added Years and Financial Strain costs are properly accounted for.
 - h) Ensuring that the accounts recognise contractual commitments to make Financial Strain payments in future years.
 - i) Applying the benefit of any capitalisation approval received.

Audit adjustment identified

- 8 During the audit of the 2008/09 accounts, the external auditor came to the view, having reviewed all of the material provided by the County Council and all of the accounting entries prepared pursuant to paragraph 7 above, that the amount of pensions expenditure charged to the revenue account should be reduced by £671,000 (General Fund £589,000, Housing Revenue Account £82,000).
- 9 After detailed consideration of the auditor's comments and re-analysis of all available information, the Chief Finance Officer concurred with the external auditor's view and agreed to make an adjustment. The effect of the adjustment is to increase revenue balances as at 31 March 2009 by £671,000.

General Fund

- 10 The following is a summary of the General Fund position both before and after the audit.

£m	Forecast outturn	Draft accounts	Final accounts	Difference
Net committee expenditure	8.494	7.991	7.991	-
Transfer to HRA	-1.043	-1.137	-1.137	-
Investment income	-0.468	-0.479	-0.479	-
Capital financing costs	0.266	0.266	0.266	-
Pensions costs	1.136	1.463	0.874	-0.589
Capitalisation approval	-1.061	-1.141	-1.141	-
VAT write off	0.144	0.144	0.144	-
Transfers to reserves	0.723	0.877	0.877	-
Net expenditure	8.191	7.984	7.395	-0.589
Funding available	-8.552	-8.552	-8.552	-
Net favourable variance	-0.361	-0.568	-1.157	-0.589
Transfer to Landsbanki Contingency	0.361	0.404	0.993	0.589
Transfer to Change Mgt. Reserve	-	0.164	0.164	-
Total	-	-	-	-

- 11 It is proposed that the increase in revenue balances be applied to the Landsbanki Contingency Fund, so that the Fund balance will be £993,000. This represents 42% of the sum at risk and it is considered to be a prudent manoeuvre until such time as the Council's status as preferential creditor is confirmed, and the likely dividend to creditors is established with a degree of certainty.

Housing Revenue Account (HRA)

12 The following is a summary of the HRA position both before and after the audit.

	Revised Budget	Draft accounts	Final accounts	Difference
Income	-11.587	-11.792	-11.792	-
Expenditure	4.394	3.972	3.972	-
Negative Housing Subsidy	5.160	5.160	5.160	-
Depreciation	1.864	1.864	1.864	-
Bad Debt Provision	0.045	0.120	0.120	-
HRA share of corporate core	0.267	0.267	0.267	-
Pensions costs	0.103	0.257	0.175	-0.082
Deficit / Surplus (-) for year	0.246	-0.152	-0.234	-0.082
Working Balance				
Balance as at 1 April 2008	-0.550	-0.550	-0.550	-
Deficit / Surplus (-) for year	0.246	-0.152	-0.234	-0.082
Balance as at 31 March 2009	0.304	-0.702	-0.784	-0.082

13 It is proposed that the increase in revenue balances be applied to the HRA Working Balance.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Variations in pensions costs arising in 2009/10	2 (possibility that pensions budgets require adjustment)	3 (the sums involved are potentially significant)	Redesign of coding structure Analysis of 2008/09 audit outcomes and extrapolation to 2009/10

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.