

Committee:	Performance Select Committee	Agenda Item
Date:	30 June 2009	4
Title:	Statement of Accounts 2008/09	
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Summary

- 1 The draft 2008/09 Statement of Accounts is attached and Members are recommended to approve it for publication.
- 2 The Statement of Accounts is consistent with the 2008/09 outturn results reported to the [Finance & Administration Committee](#) on 25 June.
- 3 The format and content of the accounts is prescribed by CIPFA.
- 4 It is a legal requirement that Members approve the draft accounts by 30 June.
- 5 The Statement of Accounts has to be published together with the Annual Governance Statement, which was reviewed in detail and approved by the Performance Select Committee on 14 May.
- 6 The accounts are subject to external audit and may change. Results of the external audit will be reported to Members and the accounts will be re-presented if there are any material adjustments requiring approval. The finalised accounts will be published in September.

Recommendations

- 7 The Committee is recommended to:
 - a) approve the draft Statement of Accounts as presented on pages 1 to 68 of the attached document.
 - b) To approve the Annual Governance Statement for publication as presented on pages 69 to 79 of the attached document.
 - c) To request that Full Council on 21 July note the decisions of this Committee.

Background Papers

[2008/09 Outturn report](#) to Finance & Administration Committee 25 June

Accounting guidance (Statement of Recommended Practice)

Final accounts working papers

Impact

Communication/Consultation	None
Community Safety	None
Equalities	None
Finance	None
Human Rights	None
Legal implications	A legal requirement that the draft Statement of Accounts is approved by Members by 30 June.
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Accounts Approval

- 8 Pending approval of the Council's revised Financial Regulations (reported to Finance & Administration Committee 25 June and expected to be confirmed at Full Council on 21 July), the existing Financial Regulations state that the Finance & Administration Committee is responsible for approving the Statement of Accounts. This is an out of date provision and dates from the time before the Council had a committee with an audit function.
- 9 Legal and external audit requirements hold that the Accounts may not be approved by the Committee that oversees financial management, so it is not appropriate for Finance & Administration Committee to undertake this task. It is more appropriate for the Committee that discharges the Audit Committee function to do this.
- 10 The Monitoring Officer has advised that the Scheme of Delegation, which with effect from February 2007 allocates the Audit Committee role to the Performance Select Committee, overrides the Financial Regulations, and that the Performance Select Committee, in its capacity as Audit Committee, should be the Committee that approves the Accounts. (The 2007/08 audited accounts were also approved by the Performance Select Committee).

- 11 The revised Financial Regulations make clear that this responsibility rests with the Performance Select Committee.
- 12 By request of the Performance Select Committee Chairman, Full Council on 21 July will be asked to note the Committee's decision.

Summary of 2008/09 financial results

- 13 The 2008/09 results were reported to the Finance & Administration Committee on 25 June. In summary:
 - General Fund: a net favourable variance of £568,000.
 - Housing Revenue Accounts: a net favourable variance of £398,000
 - Capital Programme: a net favourable variance of £342,000.

For further details, please refer to [Finance & Administration Committee report](#).

Format of Statement of Accounts

- 14 The content and format of the accounts is prescribed by the Chartered Institute of Public Finance & Accountancy (CIPFA). There are no significant changes in the 2008/09 CIPFA guidance.
- 15 In recent years the CIPFA guidance has attempted to reconcile discrepancies between Generally Accepted Accounting Practice followed in other sectors and the legislative framework surrounding local authority finances. The result is a complex series of statements and reconciliations which members of the public are likely to find difficult to follow. While the Explanatory Foreword should help readers to gain a reasonable understanding of the Council's finances, even the content of the Foreword is prescribed by CIPFA guidance and elements of it are opaque.
- 16 Some Chief Financial Officers have expressed concerns about the usefulness and practicality of CIPFA guidance but unfortunately the situation will only become more complex during the next few years as attempts are made to incorporate International Financial Reporting Standards into council accounts. CIPFA have issued a consultation on the format and content of the accounts, the results of which are awaited.
- 17 The auditors will compare the accounts against the CIPFA guidance and any significant deviation could lead to criticism and adverse scoring in the Use of Resources Assessment.

Key elements of the Statement of Accounts

18 The accounts comprise the following key elements:

- Explanatory Foreword (page 3) – a summary of the key results of the financial year and other key contextual information e.g. a description of the Landsbanki issue.
- Auditor's Report (page 12) – to be provided by the external auditor.
- Statement of Accounting Policies (page 15) – technical information which describes how transactions are accounted for. There are no significant changes this year.
- Statement of Responsibilities (page 23) – sets out the respective responsibilities of the Council and the Chief Finance Officer relating to the Statement of Accounts.
- Income & Expenditure Account (page 24) – draws together in one statement all aspects of the Council's finances and shows that the net result is an increase in the General Fund Working Balance of £35,000. CIPFA guidance requires that income and expenditure on council services are categorised in a certain way, to ensure standardisation and comparability with other councils: the analysis required does not match the Council's organisational and financial management arrangements. CIPFA guidance also requires notional recharges and capital charges to be applied to services, which are then reversed out elsewhere in the account so that notional items have nil "bottom line" impact. Although the format of the Income & Expenditure Account does not make this obvious, it is consistent with the summary of results detailed above and reported to Finance & Administration Committee. Excluding the Housing Revenue Account, the Account shows a reduction in the Net Cost of Services from 2007/08 to 2008/09 of £1.2 million.
- Balance Sheet (page 26) – this part of the accounts most closely resembles accounts for other sectors e.g. companies, and sets out the council's assets and liabilities as at 31 March. The Council's net assets decreased by £35 million during the year, due mainly to falling property values. Other significant differences between 31 March 2008 and 31 March 2009 are as follows:
 - Debtors – reduction of £0.4 million – due to an increase in the provision for bad debts, reflecting an increased risk in this area.
 - Investments – increase of £0.7 million. Fluctuates according to the Council's cash flow situation. Funds are invested as required in accordance with the Treasury Management Strategy. The Landsbanki deposit has been reclassified from a short term to a long term investment.

- Creditors – increase of £2.5 million – due to timing differences in the payment of sums to the national business rates pool and other local authorities.
 - Provisions – increase of £0.5 million – new provisions established for future pensions costs and legal claims.
 - Long Term Borrowing – reduction of £0.2 million – representing the annual payment on the refuse vehicles finance lease.
 - Pension Fund Deficit – increase of £0.2 million – due to revised actuarial assumptions regarding the assets and liabilities of the pension fund.
- Cash Flow Statement (page 27) – sets out all the cash transactions arising with an overall net increase in bank balances held of £1.9 million during the year.
 - Notes to the Core Financial Statements (pages 28-56) - provide additional contextual information. Includes for example, a note of members allowances paid (page 31), details of the pension fund deficit (page 51), reserve balances held (page 45) and officers remuneration (page 31).
 - Housing Revenue Account (page 57) – a separate analysis of income and expenditure relating to the provision of social housing. Again, it is consistent with the summary of results detailed above. Supporting notes provide additional contextual information.
 - Collection Fund (page 65) – a statement of transactions relating to the Council’s role as a billing authority. A small deficit arose in the year.
 - Annual Governance Statement (page 69) – a detailed description of how the Council conducts its affairs to ensure effectiveness and propriety. This was reviewed in detail by the Performance Select Committee on 14 May.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
The Statement of Accounts may change as a result of the external audit process	3	2	Close liaison with external auditors