

Committee:	Performance Select Committee	Agenda Item
Date:	22 June 2010	4
Title:	Statement of Accounts 2009/10	
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Summary

- 1 The draft 2009/10 Statement of Accounts is attached. Members are requested to review the accounts and recommend that they are approved by Full Council on 29 June. The Committee's comments will be reported to Full Council.
- 2 It is a legal requirement that Members approve the draft accounts by 30 June. Last year, Members decided to amend the Financial Regulations so that the accounts are now to be approved by Full Council, with pre-scrutiny by this Committee.
- 3 The Statement of Accounts is consistent with the 2009/10 outturn results reported to the [Finance & Administration Committee](#) on 17 June. The format and content of the accounts is prescribed by CIPFA.
- 4 The Statement of Accounts has to be published together with the Annual Governance Statement, which is also reviewed by the Committee on today's agenda.
- 5 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

- 6 The Committee is requested to:
 - a) Recommend to Full Council on 29 June the approval of the draft Statement of Accounts as presented on pages 1 to 75 of the attached document.

Background Papers

[2009/10 Outturn report](#) to Finance & Administration Committee 17 June

Accounting guidance (Statement of Recommended Practice)

Final accounts working papers

Impact

Communication/Consultation	None
Community Safety	None
Equalities	None
Finance	None
Legal implications/Human Rights	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

Summary of 2009/10 financial results

- 7 The 2009/10 results were reported to the Finance & Administration Committee on 17 June. In summary:
- General Fund: a net favourable variance on Net Operating Expenditure of approx £1.56 million. After allowing for transfers to earmarked reserves, the net favourable variance is £483,000. NB this is £8,000 higher than the figure quoted in the F&A report. In total, General Fund reserves have been replenished by £1.5 million.
 - Housing Revenue Accounts: an in-year deficit of £62,000, which is a net adverse variance of £48,000
 - Capital Programme: a net favourable variance of £463,000, although after allowing for slippage items totalling £676,000, there is a net adverse variance of £213,000.

For further details, please refer to the [2009/10 Outturn report](#) to Finance & Administration Committee 17 June.

Format of Statement of Accounts

- 8 The content and format of the accounts is prescribed by the Chartered Institute of Public Finance & Accountancy (CIPFA).
- 9 There are a few changes in the 2009/10 CIPFA guidance. None of these are significant to the reader's understanding of the financial performance or health of the Council. The main changes are as follows:
 - A requirement to bring PFI scheme assets onto the balance sheet
 - Changes to the presentation of Council Tax and Business Rates information so that only the Council's share of the outstanding debt is shown on the balance sheet.
 - Additional detail and transparency about senior officers' remuneration.
- 10 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.
- 11 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. In 2009 CIPFA issued a consultation on the format and content of the accounts, the results of which are still awaited.
- 12 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

- 13 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 13) – to be provided by the external auditor.
- **Statement of Accounting Policies** (page 16) – technical information which describes how transactions are accounted for. There are no significant changes this year.
- **Statement of Responsibilities** (page 24) – sets out the respective responsibilities of the Council and the Chief Finance Officer relating to the Statement of Accounts.
- **Income & Expenditure Account** (page 25) – draws together in one statement all aspects of the Council's finances and shows that the net result is no change in the General Fund Working Balance.

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.

- **Statement of Movement on the General Fund Balance** (page 26) shows all the adjustments that have to be made to ensure that costs met from the taxpayer are in line with the requirements of relevant legislation, and exclude notional items required by accounting rules. It is within this statement that the transfers to and from reserves are enacted: a withdrawal from the HRA Working Balance of £62,000 can be seen, as well as transfers to General Fund Earmarked Reserves of £1.5 million.
- **Balance Sheet** (page 27) – 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 £8.3 million during the year, of which £6.6 million was due to an increase in the pensions liability. Other significant differences between 31 March 2009 and 31 March 2010 are as follows:

Assets

- **Fixed Assets** – decrease of £1.7 million – due primarily to a revaluation of the housing stock.
- **Debtors** – increase of £0.5 million – due to an increase in the amount reclaimed from Government for benefits grant, and timing differences in the payment of sums to the national business rates pool.
- **Investments** – decrease of £1.4 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.

Liabilities

- **Creditors** – decrease of £1.3 million – mainly due to timing differences in the payment of sums to the national business rates pool and other local authorities.
- **Deferred Liabilities** – decrease of £0.9 million – due to payments made under the finance lease and use of provisions.
- **Deferred Government Grants** – increase of £0.9 million – reflects the Council's temporary ownership of the Priors Green Community Hall.
- **Pension Fund Deficit** – increase of £6.6 million – due to revised actuarial assumptions regarding the assets and liabilities of the pension fund.

Equity

- **General Fund Earmarked Reserves** – shows an increase of £1.5 million, from £3.16 million to £4.66 million, consistent with the General Fund outturn results reported to Finance & Administration Committee.
- **General Fund Working Balance** – shows no change, maintained at £1.096 million during the year
- **Housing Revenue Account Working Balance** – shows a decrease of £62,000 again consistent with the outturn results reported to F&A Committee.

- **Cash Flow Statement** (page 28) – sets out all the cash transactions arising with an overall net decrease in bank balances held of £0.3 million during the year.
- **Notes to the Core Financial Statements** (pages 29-62) - provide additional contextual information. Includes for example, a note of members' allowances paid (page 33), details of the pension fund deficit (page 58), reserve balances held (page 50) and officers' remuneration (page 33-34).
- Attention is drawn to Note 10, Related Parties Transactions (page 34). This note is informed by the declarations Members make on related parties forms. As at 14 June, 42 out of 44 Members had submitted their forms, with no transactions disclosed that are required to be published in the Statement of Accounts. The note has been prepared on the assumption that there are no disclosable transactions relating to the 2 Members who have not submitted their forms. This will need to be confirmed prior to the approval of the accounts by Full Council.
- **Housing Revenue Account** (page 63) – 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 72) – a statement of transactions relating to the Council's role as a billing authority. A small surplus arose in the year.
- **Annual Governance Statement** (starts page 75) – a detailed description of how the Council conducts its affairs to ensure effectiveness and propriety. This is to be reviewed in detail by the Committee earlier on today's agenda.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
The Statement of Accounts may change as a result of the external audit process	4 (almost inevitable)	2 (any bottom line changes will be manageable by varying transfers to/from reserves)	Close liaison with external auditors

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.