

AUDIT COMMITTEE	AGENDA ITEM No. 4
29 JUNE 2009	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	John Harrison, Director of Strategic Resources John Blair, Head of Strategic Finance	Tel. 452398 Tel. 384564

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

RECOMMENDATIONS	
FROM : Director of Strategic Resources	Deadline date : 29th June 2009; <i>statutory deadline for approving Accounts</i>
<ol style="list-style-type: none"> 1. Members are requested to note that this report presents the Statement of Accounts for 2008/09. Members of the Committee are required to scrutinise the figures being presented. The Statement of Accounts, which will be referred to, in the remainder of this report, as the Accounts, remains subject to External Audit by Price Waterhouse Coopers (PwC). 2. This report recommends that the Audit Committee: <ol style="list-style-type: none"> i. Scrutinises the Accounts for the year ended 31 March 2009. ii. Approves transfers to / from Reserves, as set out in the Note 48 to the Core Financial Statements in the Accounts in accordance with the recommendations of the Director of Strategic Resources. iii. Approves the summary capital expenditure statement and its financing, as set out in Appendix 4 and the detailed financing in Note 24 to the Core Financial Statements in the Accounts. iv. Notes the Minimum Revenue Provision policy for 2008/09 as set out in paragraph 4.23. v. Approves the draft Accounts for the year ended 31 March 2009 as attached at Appendix 2, in accordance with Regulation 10 of the Accounts and Audit Regulations 2003 (as amended 2006). vi. Agrees to the publishing of a summary set of Accounts and to publish an electronic annual report on the Council's website following the stakeholder consultation. 	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee following consideration by the Corporate Management Team. This report forms part of the regular pattern of reporting on the Council's financial position.

2. PURPOSE AND REASON FOR REPORT

- 2.1. The Council must consider and approve its Accounts at a meeting of either the full Council or a Committee of the Council. This is a requirement of the Accounts & Audit Regulations 2003 (amended 2006). The Council's Constitution, as agreed at the Annual Council Meeting in May, delegates this matter to the Audit Committee.
- 2.2. The Accounts must be approved by 30 June 2009, in accordance with the Accounts and Audit Regulations 2003 (amended 2006).

- 2.3. The Council Section 151 officer (Director of Strategic Resources) has responsibility for certifying that the Accounts present fairly the financial position of the Council at 31 March 2009.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	YES	If Yes, date for relevant Cabinet Meeting	Not applicable
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4. KEY ISSUES

Context - Comprehensive Performance Assessment (CPA) Use of Resources

- 4.1. This is the fourth time, at Peterborough City Council, that the Accounts have been considered by Audit Committee. Part of the role of this Committee is to ensure robust Member scrutiny on the financial position for 2008/09 and the effects this might have on the Budget for 2009/10 and for the Medium Term Financial Plan.
- 4.2. The role of the Committee in examining the Accounts has historically had significance in the Use of Resource scoring. Within the overall Comprehensive Performance Assessment (CPA), the production of the Accounts and external audit that followed formed the majority of the score for Financial Reporting. The 2007/08 judgement on Financial Reporting was a score of '4' (maintaining the '4' from the previous year.). This score was excellent and the Council has been recognised for notable practice in an Audit Commission national report called "summing up".
- 4.3. Attached to this report, Appendix 1, is a copy of the 'Key Lines of Enquiry' (KLOE) produced by the Audit Commission, relevant to Financial Reporting for 2008/09. The assessment for 2008/09 will form part of the overall Value for Money judgement on the organisational assessment. In order to score highly in this assessment the Council must demonstrate that "the Accounts were subject to robust Member scrutiny prior to approval".
- 4.4. The Accounts for 2008/09 must be presented by 30 June 2009. The ability to meet this deadline goes beyond the Corporate Accounting Teams and, without the support of Officers across all Departments, such a deadline could not be met.

Format of the Accounts 2008/09

- 4.5. The Accounts for 2008/09 conform with the CIPFA (Chartered Institute of Public Finance & Accountancy) Best Value Code of Practice for Local Authority Accounts and new Statement of Recommended Practice (SORP). The individual financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of the Council.
- 4.6. The key contents of the various sections are as follows:
- *Explanatory Foreword*
 - *Statement of Responsibilities* – identifies the officer responsible for the proper administration of the Council's finances
 - *Annual Governance Statement* – identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded
 - *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council

- *Income and Expenditure Account* – reports the income and expenditure for all the Council’s services in 2008/09, and demonstrates how that cost has been financed from general government grants and income from taxpayers
- *Statement of Movement on General Fund Balance* – this statement adjusts the Income and Expenditure Account balance for those items which do not impact on Council Tax, giving a final General Fund balance as at 31 March 2009
- *Statement of Total Recognised Gains and Losses* – brings together all the gains and losses of the Council
- *Balance Sheet* – sets out the overall financial position of the Council at 31 March 2009
- *Cash Flow Statement* – summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes in 2008/09
- *Notes to the Core Financial Statements* - the various accounts are supported by technical *notes* and by the *Statement of Accounting Policies*. There is no longer a Housing Revenue Account statement as this account no longer exists.
- *The Collection Fund & Notes* – shows the transactions of the Council in relation to Council Tax and National Non-Domestic Rates.

External Audit Report on the Accounts 2007/08

- 4.7. On completion of the audit for 2007/08, the Council’s external auditors submitted to the Council a report entitled ‘2007/08 Report to those charged with Governance’. The report was presented to Audit Committee on 23 September 2008 as part of their external audit.
- 4.8. In the report the auditors brought attention to significant aspects of the year’s accounts, detailed below, and concluded that the management’s treatment of these items in the accounts was appropriate;
 - included a prior period adjustment of £13.1m in relation to the investment properties included on the Balance Sheet;
 - adjustments were made to the 2007/08 Statement of Accounts in relation to the Council’s Private Finance Initiative (“PFI”) schools to ensure that the accounting entries were appropriate.

Revenue Outturn 2008/09

- 4.9. The Council’s budget of £263.2m was set on 28 February 2009, against the background of demand led service pressures and ambitious savings proposals.
- 4.10. The Capital and Revenue Budget itself for 2008/09 had been rigorously scrutinised and additional resources made available to align it with the Council’s Corporate Strategy.
- 4.11. The Cabinet received regular budget monitoring reports throughout the year and this kept Members informed of the position on spending and the steps taken to keep within overall Cash Limits.
- 4.12. The Statement of Accounts, at Appendix 2, is presented in accordance with the Code of Practice that allows comparability with other authorities. However, the format differs from the budget analysis used for monitoring purposes which follows the Council’s departmental structure.
- 4.13. To assist an understanding of the outturn compared to budget, a comparison is shown at Appendix 4, the Budget Monitoring report 2008/09, which compares

the outturn with the budget to show major variations and the explanation for these variances by Service. These follow the format used throughout the year in the reports to Cabinet.

4.14. In summary, the Financial Accounts for 2008/09 show:

Revenue Expenditure	Budget £000	Outturn £000	Variance £000
Chief Executive	7,918	8,457	539
Assistant Chief Executive	9,679	9,608	(71)
Children's Services	46,135	46,120	(15)
City Services	12,218	12,965	747
Environment & Community Services	21,112	21,795	683
Strategic Resources	18,979	16,999	(1,980)
Adult Social Care	38,588	38,544	(44)
Total Council Expenditure	154,629	154,488	(141)
Transfers to earmarked reserves			141
Surplus / (Deficit) to General Fund Balance			-
General Fund Balance Brought Forward			6,000
General Fund Balance Carried Forward			6,000

The financing of the Revenue Expenditure was as follows:

Financed by	£000
Government Grant (Revenue Support Grant)	8,742
Government Grant (Area Based Grant)	9,444
Distribution from National Non Domestic Rates	62,796
Demand on the Collection Fund	56,846
Reserves	16,801
Total Financing	154,629

4.15. The Council underspent by £141k, which was transferred to reserves.

4.16. The final balance on the General Fund is £6m, the minimum agreed level.

Capital Outturn 2008/09

4.17. At the start of the 2008/09 financial year, the Capital Programme was £100.5m. This revised budget was a combination of the agreed Medium Term Financial Plan (MTFS) of £75.9m and final slippage from 2007/08 of £24.6m.

4.18. As the global economic climate impacted on the Council's ability to generate capital receipts, used to fund the programme, the Council placed a moratorium on all capital projects. This management action, combined with natural delays in work being completed, and other savings made on the delivery of schemes resulted in the final capital expenditure for the year of £57.8m.

4.19. The final position is summarised in the Table shown overleaf and detailed in Appendix 4.

4.20. The amount of new long term borrowing undertaken during 2008/09 was £2m, along with £6.7m which was rescheduled to take advantage of more favourable interest rates. This comprised of borrowing supported by Revenue Support Grant of £7.8m, with the balance being met directly by the Council.

4.21. The amount of capital receipts received during 2008/09 was £6.5m, which was used to finance the capital programme.

- 4.22. Prudential Indicators have been produced for 2008/09 and these are set out in Appendix 5.

Capital Expenditure	Budget	2008/09	Revised	Outturn
	per MTFS	Budget inc.	Budget at	
	08-10	slippage	Feb. 09	
	£000	from	£000	£000
		2007/08		
	£000	£000	£000	£000
Chief Executives	2	128	128	205
Assistant Chief Executives	14,073	17,864	6,720	5,204
Children's Services	22,692	32,508	26,854	21,600
City Services	1,233	2,305	2,468	2,405
Environment and Community Services	16,435	19,842	18,483	16,025
Strategic Resources	21,026	27,294	11,845	12,096
Adult Social Care	516	651	651	318
Total	75,977	100,592	67,149	57,853
Financed by:				
External Sources	21,681	31,520	34,782	34,334
Capital Receipts	43,428	43,428	5,387	6,548
Borrowing	10,868	25,644	26,980	16,971
Total	75,977	100,592	67,149	57,853

Minimum Revenue Provision (MRP)

- 4.23. This is the minimum amount which must be charged to a local authority's Income and Expenditure Account and set aside to repay debt.
- 4.24. A new statutory duty introduced in 2008 requires the local authority to determine an amount of MRP that it considers to be prudent. Previously local authorities were obliged to set aside a MRP at a fixed rate of 4% of the Capital Financing Requirement (CFR) outstanding at the beginning of each financial year.
- 4.25. Effective from 2008/09 the Council adopted a method of calculating MRP as follows:
- historic Capital Financing Requirement (debt liability) incurred prior to 1st April 2007, and supported borrowing (by grant) since then, is charged at 4%;
 - capital expenditure funded by unsupported borrowing within the debt liability at 31st March 2008, and subsequent years, is charged in line with the life of the asset for which the borrowing was undertaken.

Schools

- 4.26. Details on Schools Balances are shown in Note 17 to the Core Financial Statements in the Accounts. This shows that there was a net decrease in School Balances during 2008/09 of £3.9m from £9.5m to £5.6m. It reports there were 4 Schools (from 3 at 31 March 2008) with deficit balances at 31 March 2009. These Schools are required to submit plans to the Council demonstrating how these deficits will be overcome.

Collection Fund

- 4.27. During 2008/09, Council Tax collection rates had an in year final collection rate of 96.24%. There is a surplus on the Collection Fund at the year end of £1.4m. The Council's share of this surplus is £1.2m (83%), and this will be taken into account during the 2010/11 budget setting process.

Balance Sheet at 31 March 2009

- 4.28. The Statement of Accounts includes a Balance Sheet that sets out the net worth of the Council at the balance sheet date. The following paragraphs give a high level indication of the reason for movements from last year which total a net decrease of £53m.
- 4.29. The Revaluation Reserve represents the increases in the value of assets since 1 April 2008 and it increased by £21.4m during the year. This represents the increased revaluations, the release of revaluation gains on downward revaluations, and the difference between historic and current value depreciation since 1 April 2008.
- 4.30. The Capital Adjustment Account contains the balances on the previous Fixed Asset Restatement Account and the Capital Financing Account and reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. This account reduced by £29.7m, which is made up of a number of elements, including;
- Capital receipts financing,
 - Capitalisation direction
 - Application of capital grants,
 - Minimum setting aside of revenue to finance borrowing,
 - An element of capital expenditure which does not result in a fixed asset,
 - Depreciation and impairment charged to services
 - Write down of unidentifiable assets
- 4.31. The Pension Reserve, which balances the Pensions Liability, has increased by £29.3m. This is mainly because of the more unfavourable financial assumptions on 31 March 2009 compared to those at 31 March 2008 used by the actuaries in estimating the liabilities. The deficit on the local government scheme will need to be made good by increased contributions, as assessed by the scheme actuary.
- 4.32. Changes in the revenue related balances arose from a reduction in earmarked reserves of £11.8m and a decrease in schools balances of £3.9m.

Reserves and Balances

- 4.33. As reported to Council on 25 February 2009, the Director of Strategic Resources is charged with considering the level of Reserves and Balances required by the Council and making recommendations as to the adequacy of the amounts held. At that Budget Meeting, the Council was advised that the minimum level of the General Fund Balance, over the life of the Medium Term Financial Strategy (MTFS) to 2009/10, was £6m each year. The closing balance for 2008/09 of the General Fund was £6m.

Approval, signing, inspection and audit arrangements - the Accounts and Audit Regulations 2003 (amended 2006)

- 4.34. The Accounts and Audit Regulations 2003 (amended 2006) govern the approval process for the Accounts. They state that the Accounts "shall be signed by and dated by the person presiding at the Committee" at which they are approved (Regulation 10) and the Auditor will then decide the date from which he will receive questions on and objections to the Accounts. The Accounts will be placed on deposit for public inspection for not less than 20 working days before the date set by the Auditor (Regulation 14).

- 4.35. At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2008/09. This will be considered at the Audit Committee meeting on 28 September 2009.

Annual Governance Statement

- 4.36. The Statement of Accounts includes the Annual Governance Statement. This document was approved by Audit Committee on 2nd June 2009.

Appendices

1. Key Lines of Enquiry – Financial Reporting.
2. Statement of Accounts 2008/09
3. Prudential Indicators for 2008/09
4. Your Peterborough article and consultation
5. Summary of Accounts 2007/08

5. CONSULTATION

- 5.1 Stakeholders were consulted on their views about the Council finances and, in particular, on the merits of publishing an annual report or summary accounts. This showed a clear demand for summary accounts and an annual report in a user friendly format. The 2007/08 summary accounts was provided on the website and is attached at Appendix 5. The consultation is currently being refreshed via a competition in Your Peterborough, see Appendix 6.

6. ANTICIPATED OUTCOMES

As set out in the report.

7. REASONS FOR RECOMMENDATIONS

The Accounts and Audit Regulations 2003 (amended 2006) require that the Statements of Accounts be prepared to include the statements set out in Regulation 7 and that the signing and approval of the Accounts be undertaken as set out at Regulation 10 of those regulations. Approval of the Accounts is a non-executive function.

8. ALTERNATIVE OPTIONS CONSIDERED

The Accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) on Local Authority Accounting and hence alternative options are limited.

9. IMPLICATIONS

There are no Human Resource issues arising directly from the recommendations in this report.

10. BACKGROUND DOCUMENTS

Budgetary control reports through 2008-09
Council 25 February 2008: Medium Term Financial Strategy

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