

AUDIT COMMITTEE	AGENDA ITEM No. 4
28 JUNE 2010	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources Steven Pilsworth, Head of Corporate Services	Tel. 452398 Tel. 384564

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

RECOMMENDATIONS	
FROM : Executive Director Strategic Resources	Deadline date : 28th June 2010; <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 2009/10. 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 PriceWaterhouseCoopers (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 2010. ii. Approves transfers to / from Reserves, as set out in the Note 42 to the Core Financial Statements in the Accounts in accordance with the recommendations of the Executive Director Strategic Resources. iii. Approves the draft Accounts for the year ended 31 March 2010 as attached at Appendix 1, in accordance with Regulation 10 of the Accounts and Audit Regulations 2003 (as amended 2006). 	

1. ORIGIN OF REPORT

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 delegates this matter to the Audit Committee.
- 2.2. The Accounts must be approved by 30 June 2010, in accordance with the Accounts and Audit Regulations 2003 (amended 2006).
- 2.3. The Council Section 151 officer (Executive Director Strategic Resources) has responsibility for certifying that the Accounts present fairly the financial position of the Council at 31 March 2010.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	
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4. KEY ISSUES

Format of the Accounts 2009/10

- 4.1. The Accounts for 2009/10 conform with the CIPFA (Chartered Institute of Public Finance & Accountancy) Best Value Code of Practice for Local Authority Accounts and the 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.
- 4.2. The key contents of the various sections are as follows:
- *Explanatory Foreword* – provides an understandable guide to the most significant matters reported in the accounts.
 - *Statement of Responsibilities* – identifies the officer responsible for the proper administration of the Council’s finances
 - *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 2009/10, 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 2010
 - *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 2010
 - *Cash Flow Statement* – summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes in 2009/10
 - *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.
 - *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

Schools

- 4.3. Details on Schools Balances are shown in Note 14 to the Core Financial Statements in the Accounts. This shows that there was a net decrease in School Balances during 2009/10 of £0.5m from £5.6m to £5.1m. It reports there were 5 Schools (from 4 at 31 March 2009) with deficit balances at 31 March 2010. These Schools are required to submit plans to the Council demonstrating how these deficits will be overcome.

Collection Fund

- 4.4. During 2009/10, Council Tax collection rates had an in year final collection rate of 96.06%.
- 4.5. The 2009 SoRP brought a change of accounting policy with regards to the Collection Fund, such that any surplus or deficit incurred is shown in the Income and Expenditure Account and the impact of this reversed out through the Statement of Movement in General Fund Balance.
- 4.6. For 2009/10 the Collection Fund incurred a deficit of £0.65m for the year of which the Council's share of £0.54m (£1.18m in 2008/09) is shown in the Income and Expenditure Account.

Balance Sheet at 31 March 2010

- 4.7. 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 restated Balance Sheet which total a net decrease of £163.7m.
- 4.8. The Revaluation Reserve represents the net movement in the value of fixed assets since 1 April 2009 and it increased by £7.6m during the year.
- 4.9. The Capital Adjustment Account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. This account reduced by £35.3m, as charges such as depreciation and impairment were greater than the capital receipts and grants income for the year.
- 4.10. The Pension Reserve, which balances the Pensions Liability, has increased by £138.8m. This is mainly because of the more unfavourable financial assumptions on 31 March 2010 compared to those at 31 March 2009 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, and the Medium Term Financial Strategy (MTFS) includes provision for this.
- 4.11. Changes in the revenue related balances arose from an increase in earmarked reserves of £5.5m and a decrease in schools balances of £0.5m.

Reserves and Balances

- 4.12. As reported to Council in February 2010, the Executive Director 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 it would be necessary to reduce the General Fund balance for the loss of income relating to VAT Shelter arrangement with Cross Keys Homes, and that the balance on this fund would be replenished during the MTFS.

As a consequence the closing balance for 2009/10 of the General Fund was £3.8m which will be replenished over the life of the MTFS.

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

- 4.13. 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).
- 4.14. At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2009/10. This will be considered at the Audit Committee meeting on 27 September 2010.

Annual Governance Statement

- 4.15. The Statement of Accounts includes the Annual Governance Statement. This document was approved by Audit Committee on 7 June 2010.

Appendices

1. Statement of Accounts 2009/10

5. CONSULTATION

- 5.1 No external consultation has been undertaken.

6. ANTICIPATED OUTCOMES

- 6.1 As set out in the report.

7. REASONS FOR RECOMMENDATIONS

- 7.1 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

- 8.1 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

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

10. BACKGROUND DOCUMENTS

10.1 Budgetary control reports through 2009/10

10.2 Council 25 February 2009: Medium Term Financial Strategy

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