

 Finance and Audit Scrutiny Committee and COUNCIL 28 June 2010		Agenda Item No.
Title	Statement of Accounts 2009/10	
For further information about this report please contact	Marcus Miskinis Tel: 01926 456804 marcus.miskinis@warwickdc.gov.uk	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No	
Date and meeting when issue was last considered and relevant minute number	N/A	
Background Papers	Executive 23 June 2010: Approval of Accounts 2009/10 Accounts and Audit Regulations 2003 Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice (CIPFA)	
Contrary to the policy framework:	No	
Contrary to the budgetary framework:	No	
Key Decision?	Yes	
Included within the Forward Plan? (If yes include reference number)	Yes Ref 241	

Officer/Councillor Approval		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant Deputy Chief Executive, Head of Service (s), Finance Officer, Monitoring Officer and the relevant Portfolio Holder(s).		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	21 June 2010	Andy Jones
Head of Service(s)	n/a	Finance Report
CMT	22 June 2010	
Section 151 Officer	18 June 2010	Mike Snow
Monitoring officer	21 June 2010	Robert Inman
Finance	n/a	Finance report
Strategic Asset Manager	n/a	
Procurement Manager	n/a	
Portfolio Holder(s)	21 June 2010	Cllr Mobbs
Consultation & Community Engagement		

None	
Final Decision?	Yes
Suggested next steps (if not final decision please set out below)	

1 SUMMARY

1.1 The accounts have been closed in respect of the financial year 2009/10 and duly reported to the Executive. The main points were:

- capital expenditure was underspent by £3.2m which has mostly been carried forward to 2010/11 Capital Programme as slippage;
- the General Fund was underspent by £1.1m of which has been transferred to the General Fund balance for future revenue decisions;
- the Housing Revenue Account was underspent by £0.5m which has been transferred the Housing Revenue Account Balance.

1.2 The Statement of Accounts 2009/10 has now been produced and will be subject to Audit up to the end of September.

2 RECOMMENDATIONS

2.1 It is recommended that the Council approves the formal Statement of Accounts for the year ended 31 March 2010, which will then be signed by the Councillor chairing the meeting.

3 REASONS FOR THE RECOMMENDATIONS

3.1 As part of corporate governance, Members have an important role in overseeing the framework of internal control of the Council. The recommendations have been made in order that the Council can meet the statutory deadline for the approval of its Statement of Accounts.

3.2 The Report is structured in the following format:

- Section 5 - Background
- Section 6 - Accounts 2009/10
- Section 7 - Annual Governance Statement
- Section 8 - Statement of Accounts

The Statement of Accounts 2009/10.

4 BUDGETARY AND POLICY FRAMEWORKS

4.1 The Statement of Accounts 2009/10 is an historic account of the financial performance of the year and shows comparison with the budget for 2009/10 and the results for 2008/09.

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 No alternatives have been considered as this is a statutory duty placed on the Council.

6 BACKGROUND

- 6.1 The Accounts and Audit Regulations 2003 require that the Statement of Accounts shall be approved by a resolution of a committee of the relevant body or otherwise by a resolution of the members of the body as a whole, such approval to take place as soon as reasonably practical and in any event before the 30th June 2010 in respect of the financial year 2009/10. (Legislation excludes delegation of this power to Executives and Scrutiny Committees).
- 6.2 Full details of the Council's revenue expenditure (both General Fund and Housing Revenue Account) and capital expenditure for 2009/10 were reported to the Executive on 23rd June. The attached formal statement contains the same basic information as the Executive report but in a format required by the Accounts and Audit Regulations. It also includes the Balance Sheet and Cash Flow Statement which were not included within the report to the Executive.
- 6.3 The complete cycle of reporting on the 2009/10 Accounts will be achieved by receiving the External Auditor's report (Annual Audit Letter) later in the year and publishing the Statement of Accounts by the statutory date of 30th September 2010. The Annual Audit Letter is due to be considered by the Finance and Audit Scrutiny Committee on 28th September 2010.
- 6.4 An advertisement was placed in local newspapers on 25 June informing electors of their rights to inspect the accounts during July and August and to question the auditor about those accounts from 24 August up to the conclusion of the Audit on 30 September.

7 ACCOUNTS 2009/10

- 7.1 The Executive received a report on the Council's accounts in respect of the financial year 2009/10 at its meeting held on 23rd June 2010 and duly approved those accounts.
- 7.2 The main items of note from the accounts are discussed below:
- 7.2.1 Capital Expenditure
Actual capital expenditure was £9.6m compared with a revised estimate of £12.8m. Appendix 'C' of the Executive report provided detailed analysis of the major variations.

Approval was made to carry forward slippage of £0.6m on the Housing Investment Programme and £2.5m on the Other Services Programme to their respective 2010/11 programmes.

The main item of slippage on the Housing Investment Programme was in respect of a lack of schemes coming forward from Housing Associations (£0.5m).

The main items in the Other Services Programme were in respect of the Spencers Yard project (£1,468,000), various Cultural projects (£243,000) and the Rural Initiatives Grants (£162,000). The Riverside House One-Stop-Shop project (£321,000) was delayed pending considerations on the future of

Riverside House.

7.2.2 General Fund Revenue Account

The General Fund produced a surplus of £1.093m when compared to the latest estimate of £18.1m. Appendix 'E' of the Executive report provided details of the major variations.

The main items contributing to this surplus were:

- reduced salary costs of £0.3m;
- reduced costs of the Waste Management Contract of £0.2m;
- earmarked reserves totalling £0.1m brought forward from 2008/09 no longer required;
- low take up of travel tokens £0.1m;
- reduced costs of gas and electricity of £0.1m; and
- provision for potential costs of £0.1m not required.

The Executive transferred the surplus to the General Fund for further consideration as part of the 2010/11 budget setting.

Since the Final Accounts report was prepared, further Fixed Asset Valuations have been received from the District Valuer. These have resulted in an additional impairment charge of £537,000 being debited to the Income and Expenditure Account. In line with statutory requirements these have been reversed out "below the line" within the Statement on the Movement on the General Fund balance and, therefore, have no impact on the surplus already declared in the Final Accounts report, nor the General Fund balance carried forward.

7.2.3 Housing Revenue Account

The Housing Revenue Account produced a surplus of £0.5m over the latest estimate surplus of £0.6m. Appendix 'H' of the Executive report analyses the major variations.

The main variations were reduced costs being recharged to General Services Supervision and Management in respect of Support Services and Housing Client/Contractor allocations.

7.2.4 Collection Fund

A small deficit during the year of £12,400 reduced the £115,800 surplus on the Collection Fund at the start of the year to a surplus of £103,400 at the end of the year.

7.2.5 Balance Sheet

The Balance Sheet shows the Council's net worth as at 31 March 2010. This has increased by £4m since 31 March 2009. The following paragraphs detail the areas where major changes have occurred.

Fixed Assets have increased by £13.8m. This comprises £8.0m additions, £19.8m revaluations less £7.3m impairments, £6.6m depreciation and disposals £0.1m.

The Pension Fund liability has increased by £10.6m.

8 ANNUAL GOVERNANCE STATEMENT

- 8.1 From 1 April 2003, the Accounts and Audit Regulations 2003 required local authorities to 'conduct a review at least once a year of the effectiveness of its system of internal control' and include a statement on internal control in any Statement of Accounts. The regulations require local authorities to produce the statement in accordance with 'proper practices in relation to internal control'.
- 8.2 Following various reviews a new Framework has been put in place which recommends that the review of the effectiveness of the system of internal control should be reported in an Annual Governance Statement.
- 8.3 To support the conclusions in the Annual Governance Statement, each year a review is to be carried out of the system of internal control to highlight any serious control issues and actions needed to deal with them.
- 8.4 The Annual Governance Statement, containing the findings of the review, is included in the Statement of Accounts. The format, and part of the wording, is based on a pro forma suggested by CIPFA.
- 8.5 As expected, for an authority of our size, the review identified a number of areas for improvement in internal control and these form section 5 of the Annual Governance Statement.
- 8.6 The Standards Committee considered the Annual Governance Statement at its meeting on 16 June 2010 and recommended its approval.

9 STATEMENT OF ACCOUNTS

- 9.1 The Statement of Accounts has been prepared using principles and practices of accounting which 'present fairly' the financial position and transactions of the Council. 'Proper accounting practices' are deemed to be those specified in CIPFA's "Statement of Recommended Practice" (SORP) which involves interpretations of accounting standards and other pronouncements by the Accounting Standards Board.
- 9.2 As a consequence of the above, the Statements are required to be shown in a format which more closely follows that used to produce commercial accounts.
- 9.3 The main account is the Income and Expenditure Account which consolidates the General Fund and Housing Revenue Account into one statement. This results in the net operating expenditure for the year and the extent to which it has been financed by general government grants and the local taxpayer.
- 9.4 For most authorities it would appear that they were operating at a large deficit each year. However, the government has recognised that there are some large items required to be included in the Income and Expenditure Account that are not real cash transactions (such as depreciation charges). As a consequence, local authority accounts have a subsequent statement, the Statement of the Movement on the General Fund Balance, which reverses out these notional elements to arrive at the actual change in the General Fund Balance. In 2009/10 the Income and Expenditure Account shows a surplus. This is due to

the impairment gains that have, to a large extent, reversed the impairment losses experienced in 2008/09. These gains are then reversed out in the Statement of the Movement in the General Fund Balance and, thus, have no effect on the overall position of the General Fund Balance.

- 9.5 The enclosed Statements have two areas still to be completed. Firstly, the District Valuer is due to provide confirmation of the Housing Revenue Account property valuations. The other outstanding item is Note 11, in respect of Shakespeare Country, following their going into liquidation.
- 9.6 It is not unusual for the External Auditor to suggest some changes to the financial statements, bearing in mind the complexities and the subsequent interpretation of the accounting issues involved. If there are any material changes between now and the publication date these will be reported to members.
- 9.7 It is anticipated that the audit of the accounts will be completed by the statutory deadline of 30 September. The completed Statements, with the audit opinion, will then be available from October 2010.
- 9.8 The Accounts for 2010/11 need to be prepared in accordance with International Financial Reporting Standards (IFRS) rather than C.I.P.F.A.'s Statement of Recommended Practice (SORP), as reported to Finance and Audit Scrutiny Committee in May 2010. It is necessary for these 2009/10 accounts to be restated on the IFRS basis so as to present comparative figures for the 2010/11 Accounts. This work is being undertaken by the accountants in the forthcoming months.