

**CHILTERN DISTRICT COUNCIL
AUDIT COMMITTEE – 23 June 2010**

Background Papers, if any, are specified at the end of the Report

STATEMENT OF ACCOUNTS 2009/10

Contact Officer: Alison Howes (01494 732260)

RECOMMENDATIONS

- 1. That the Statement of Accounts 2009/10 be approved and signed by the Chairman of the Audit Committee.**
- 3. That the Annual Governance Statement for 2009/10 be approved.**

Relationship to Council Objectives

The presentation of statutory financial statements for the year is essential to good financial management and corporate governance which in turn support all the Council's objectives.

Implications

(i) This matter is a key decision within the Forward Plan.

(ii) This matter is within the Policy and Budgetary Framework

Financial Implications

Where applicable, the results of the 2009/10 financial results will be taken into account in preparing the Medium Term Financial Strategy.

Risk Management Implications

The 2009/10 financial results need to be reflected in the financial planning process otherwise there is a risk that future budgets may be under or overstated.

The Council is legally required to approve the Statement of Accounts before 30 June and to publish the accounts by 30 September. It is also required to carry out a review at least once in a year of the effectiveness of its system of internal control. Failure to adhere to these requirements may have an adverse impact on the external auditor's assessment and conclusions.

Equalities Implications

There are no specific equalities implications.

Sustainability Implications

There are no specific sustainability implications.

Report

- 1 The draft Statement of Accounts and Annual Governance Statement for the financial year 2009/10 are presented for consideration and approval.
- 2 The accounts are subject to inspection by the Council's appointed external auditor and further amendments may be required as a result of their findings. It is anticipated that the Council's external auditors will report the results of their audit to the meeting of this committee on 23 September 2010.
- 4 The unaudited Statement of Accounts for 2009/10 is attached at **Appendix 7.3a**. The document has been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2009 (SORP), the Best Value Accounting Code of Practice 2009 (BVACOP) and the Accounts & Audit Regulations 2003. The Cashflow Statement is missing from the current draft but will be tabled at the meeting. The finance team is still in the process of carrying out final checks and any further amendments identified will be tabled and explained at the meeting.
- 5 The financial year 2009/10 will be the last year of production of the SORP as from 2010/11 it will be replaced by the Code of Practice on Local Authority Accounting (the Code) which will be based on International Financial Reporting Standards (IFRS) to harmonise public sector reporting with best practice in the corporate sector.
- 6 There have been further substantive changes in the 2009 SORP and the draft accounts reflect these changes. In summary these include:-
 - a) *Accounting for Local Taxes (Council Tax and National Non Domestic Rates)* – the 2009 SORP requires the Council acting as a Billing Authority for Council Tax and NNDR to be classified as an agency arrangement with the major preceptors and central government. Previously the Balance Sheet included all Local Tax debtors and creditors and the Cash Flow included all related cash flows. Under the new requirements only Chiltern District Council's share of these balances will be included. As this is a material adjustment the comparative figures for 2008/09 have been restated and a prior period adjustment note added to the accounts.
 - b) True and Fair – the 2009 SORP requires the accounts to be prepared on a “true and fair view” basis as opposed to a “presenting fairly” basis. This change has no practical effect on the way the accounts are drafted but is a recognition of the convergence of local authority accounting requirements with UK GAAP.

- c) *Disclosure of Officers Remuneration* – Historically there has been a requirement to disclose by way of a note to the accounts the number of officers whose remuneration in the year was greater than £50,000, grouped in rising bands of £10,000. There is now a new legal requirement to expand the information disclosed in the accounts to increase transparency and accountability. The practical changes are a change to the bandings from £10,000 to £5,000 and a new disclosure in respect of individual remuneration for senior officers (by post title rather than name) whose salary is £50,000 or more, broken down into relevant categories.
 - d) The requirement for a number of other disclosure notes has been removed e.g. expenditure on publicity and the Building Control Account.
- 7 The approved timeframe for the Statement of Accounts is set out in statutory regulation. This requires approval of the accounts by the Council by 30 June and publication of the accounts by 30 September. There will also be a period of public inspection from Monday, 9 August to Monday, 6 September.
- 8 The Statement of Accounts is a complex document and to assist Members in reviewing and understanding the accounts the following paragraphs constitute a short guide to understanding the main sections of the Statement of Accounts and also summarise the main issues and points to note for the 2009/10 financial year.
- 9 The Statement of Accounts is broken down into the following sections:-
- Explanatory Forward, Accounting Policies and Statement of Responsibilities
 - Core Financial Statements
 - Income and Expenditure Account
 - Statement of Movement on the General Fund Balance
 - Statement of Total Recognised Gains and Losses
 - Balance Sheet
 - Cash Flow Statement
 - Collection Fund
 - Annual Governance Statement

Explanatory Forward, Accounting Policies and Statement of Responsibilities

- 10 The purpose of the Explanatory Forward is to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. It gives a high level overview of the year's performance in terms of both revenue and capital spend and highlights the authority's financial position at the end of the year and the outlook for the future. It also outlines significant factors that affect the understanding of the accounts. The detailed General Fund revenue outturn and the detailed Capital Programme outturn were reported to the Cabinet on 15 June. This report is attached in **Appendix 7.3b** for information. One amendment has been made to the figures since the provisional revenue out-turn was reported to reflect an accrual that had been

omitted. The effect of this has been to increase the reported surplus from £432,665 to £459,017.

- 11 The key points to note for 2009/10 are:-
- (a) A revenue budget underspend of £459k or 4.2% of the approved budget
 - (b) A significantly improved position on the General Fund balance.
 - (c) A fall in income from investments as a result of the impact of the recession on interest rates.
 - (d) Capital expenditure during the year of £1.6 million.
 - (e) A decrease in the Council's net worth of £12.8 million mainly attributable to an increase in the council's net liability on the pension fund.
 - (f) 99.2% of Council Tax and 98.4% of Non Domestic Rate income due for the year was collected.
- 12 The Statement of Accounting Policies sets out policies that have been adopted in compiling the accounts and gives a brief outline of reserve funds and the reasons why they are held. The main change under SORP 2009 is a requirement to account for Council Tax and National Non Domestic Rates as an agency arrangement.
- 13 The Statement of Responsibilities explains the individual responsibilities of the Council and the Section 151 Officer (Head of Financial Services) in respect of the Statement of Accounts.

Income and Expenditure Account

- 14 The Income and Expenditure Account is fundamental to the understanding of the Council's activities in that it reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The statement is split into three sections:-
- (a) The first section provides information on the costs of the Council's different operations, net of specific grants and income from fees and charges, to give the net cost of services - £9.6 million.
 - (b) The second section comprises items of income and expenditure relating to the Council as a whole i.e. not service specific. When added to (a) this gives the Council's net operating expenditure - £13.0 million.
 - (c) The third section shows the income from local taxation and general government grants in the year - £13.3 million - giving the final net deficit for the year of £319k.
- 15 Accompanying the income and expenditure account is a number of disclosure notes that give further explanations of the figures. The notes are required under the Statement of Recommended Practice (SORP) to give added clarity and understanding for the readers of the accounts.

Statement of Movement on General Fund Balance

- 16 The Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. The surplus or deficit achieved on the Income and Expenditure Account represents the amount by which income is greater than, or less than, expenditure.
- 17 In addition to the entries in the Income and Expenditure Account there are a number of amounts that are required by the special legislative regime under which local authority accounts are compiled to be charged or credited to the General Fund to determine the movement on the General Fund balance. The Statement of Movement on the General Fund Balance shows these amounts.
- 18 The final position on the General Fund at the end of the year is an important indication of the Council's financial stewardship. There is no statutory requirement as to the level of revenue reserves that should be maintained. Local authorities are expected, on the advice of their chief finance officer, to make their own judgements on minimum levels taking into account all relevant local circumstances. The balance on the fund is in effect a working balance and can be used for contingency purposes e.g. in emergencies. The position on the fund has improved this year and now stands at 25% of the 2010/11 net budget. This is a significantly high balance but in light of the future financial and budgetary challenges ahead is not considered excessive and will give the council more flexibility in its financial planning.

Statement of Total Recognised Gains and Losses

- 19 Not all the gains and losses experienced by the Council are reflected in the Income and Expenditure Account. In addition to any surplus or deficit on the Income and Expenditure Account there may be other gains or losses, for example gains or losses on revaluations of fixed assets or pension fund actuarial gains and losses that need to be recognised. All gains and losses are brought together in the Statement of Total Recognised Gains and Losses. The accounts show that the authority's overall resources decreased by £12.8 million.

Balance Sheet

- 20 The balance sheet reports on the Council's financial position as at 31 March and shows the value of its assets and liabilities. Again, there are a number of disclosure notes required by the SORP that accompany the balance sheet to provide further explanation of the figures.
- 21 Fixed Assets – this is the cost of the Council's assets and includes the main assets such as the Council Offices, leisure centres, car parks, London Road depot and public conveniences and stands at £32.7 million. The Council's assets were last revalued as at 31 March 2007, the next full revaluation is scheduled for this year.

- 22 Long Term Assets – this comprises investments of over one year, outstanding debt on the Council’s remaining mortgage portfolio and other loans over 365 days, a total of £106k.
- 23 Current Assets – this relates to items that could be turned into cash at short notice and is made up of debtors i.e. money owed to the Council, or short term investments. The Council’s short term investments are primarily monies invested with various institutions for less than one year or deposits held in call or notice accounts. Total current assets stands at £18.4 million, an increase of £1.7 million over the 2008/09 position which mainly reflects the fact that at the moment all of the Council’s investments are held on a short term basis.
- 24 Current Liabilities – this is the opposite of current assets and relates to money the Council owes to external bodies and organisations amounting to £3.4 million, a small decrease over the previous year.
- 25 Equity – this section shows how assets and liabilities are funded. Not all of the items shown here are cash backed reserves. For example, the Revaluation Reserve and the Capital Adjustment Account are used to reflect changes in the value of fixed assets, either by revaluation or disposal, and therefore most of the entries in these accounts are internal transactions that do not give rise to cash income or expenditure. Capital Receipts, Grants and Contributions show how much is available to finance the Capital Programme. The Pension Reserve is entirely an accounting entry to offset the Pension Liability figure. The revenue Reserves include the General Fund reserve and other reserves earmarked for specific purposes.

Cashflow

- 26 The cashflow statement shows the inflow and outflow of cash for the year for both revenue and capital and shows whether the Council’s cash position has improved on a year on year basis.

Collection Fund

- 27 The Collection Fund is a separate account which receives all income from Council Tax and Non Domestic Rates (NDR). This account then pays out Council Tax, in the form of precepts, to Bucks County Council, Chiltern District Council (including an element for Town/Parish Councils), Thames Valley Police Authority, Bucks and Milton Keynes Fire and Rescue Authority. The NDR collected is paid direct to central government and a contribution is received back into the General Fund Revenue Account from the NDR Pool. The account also provides for and absorbs any bad debts arising on collection of the income. Any surplus, or (deficit), arising on the account is either paid out to, or recovered from, the main preceptors (excluding Towns/Parishes) in the following year. During 2009/10 the account collected over £61 million of Council Tax income and over £20 million of NDR income.

Annual Governance Statement

- 28 One of the key requirements of the Accounts and Audit Regulations is that an Annual Governance Statement is produced and published alongside the financial statements. This statement describes the Council's framework of internal control and governance arrangements.
- 29 The best practice framework sets out what the statement should contain including:-
- responsibilities for ensuring there is a sound system of governance (incorporating the system of internal control)
 - an indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide
 - a brief description of the key elements of the governance framework
 - a brief description of the process that has been applied in maintaining and reviewing effectiveness of the governance framework
 - an outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.
- 30 The AGS is incorporated into the Statement of Accounts document at *Appendix 7.3a*. Although it is presented as part of the financial statements, the AGS is a statutory requirement and has to be approved and signed in its own right.
- 31 Any significant control issues are identified in the statement together with details of plans to address these.

Formal Approval of Accounts

- 32 The Accounts and Audit Regulations require the Chairman of the Committee receiving the accounts to sign and date the Accounts to formally represent completion of the Authority's approval process. The Chairman of the Audit Committee is therefore requested to sign the declaration in the financial statements once Members have considered this report and approved the Accounts.

Background Papers: None
