

Audit and Governance Committee



30 June 2009

Report of: Head of Finance

Report No. 18/09

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Wards Affected

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All

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Statement of Accounts for 2008/09

Recommendation

That the statement of accounts for 2008/09 be approved for audit.

1. Purpose of Report

- 1.1 The Accounts and Audit Regulations 2003 requires that the 2008/09 statement of accounts be approved by the council or a committee of the council by 30 June 2009. This power is delegated to the audit and governance committee. This report brings the 2008/09 statement of accounts to the committee for approval.

2. Relationship with Corporate Plan

- 2.1 Sound financial management is central to the ongoing delivery of all the council's functions and therefore underpins the achievement of all of the council's strategic objectives as set out in the corporate plan. The timely production, audit and publication of the statement of accounts is fundamental to managing our business effectively.

3. Background

- 3.1 The statement of accounts provides information on how the council has used the financial resources available to it. The statement of accounts is required by law and sets out various statutory and other relevant information.
- 3.2 The statement of accounts was prepared following the end of the financial year on 31 March 2009. These accounts are at present unaudited. The external auditor is scheduled to carry out the audit of the accounts in July and August. The statement of accounts will be made available for public inspection from 23 July 2009.

- 3.3 The statement of accounts need to be published together with any certificate, opinion or report given by the external auditor. This must be carried out by 30 September 2009.
- 3.4 This committee is asked to approve the statement of accounts as an accurate record of the council's financial transactions during the year, and of the balances at the end of the year. The committee are not being asked to scrutinise why budgets are either under or overspent other than to satisfy itself that in year transactions and year end balances are accurate.

4. Matters for consideration

- 4.1 The statement of accounts comprises the primary accounting statements together with supporting notes. The explanatory foreword to the accounts provides a straightforward explanation of what the accounting statements represent. Below are detailed some of the key matters arising from the statement of accounts that members should consider before they approve them.

ACCOUNTING CODE OF PRACTICE CHANGES FOR 2008/09

- 4.2 The statement of accounts are prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA/LASAAC) code of practice on local authority accounting in Great Britain ("the code"). There have been a number of changes to the code which mean that the 2008/09 accounts are different to previous years. The principal changes amongst these are detailed below.

Financial Reporting Standard 17 (FRS17)

- 4.3 FRS17 governs how the council's pension costs, and future obligations are presented. Following changes to FRS17, for the 2008/09 accounts the measurement of pension scheme assets has been changed. Previously, scheme assets were valued on the basis of mid-market value, but are now required to be valued on the basis of current market price. Compliance with this has required the 2007/08 accounts to be restated, with the effect that the net worth of the council as at 31 March 2008, as shown in the balance sheet, has been restated from £73.85m to £73.66m.
- 4.4 Other 2007/08 statements / notes that have been restated as a result of the changes to pensions are:
- income and expenditure account, where non distributed costs, and expected return on pension assets have been restated;
 - statement of total recognised gains and losses;
 - statement of movement on general fund balance, where the net charges made for retirement benefits have been restated.
- 4.5 Full details on the local government pension scheme are included in the accounts in note 35, which has also been restated. Additional changes to FRS17 have led to significant changes to the disclosure requirements, which are reflected in note 35.

OTHER CHANGES TO THE ACCOUNTS

- 4.6 In addition to the changes to the code identified above, the 2008/09 accounts have been subject to further restatement, for the reasons detailed below.

Revaluation of assets

- 4.7 Most of the council's operational assets, such as toilets and car parks, have a value for land and buildings. It is only the buildings element that is depreciated. When the 2008/09 accounts were completed, where such assets were revalued the total change in value for the asset was reflected in the accounts. Where the value of the asset went up this was reflected in the revaluation reserve, and where the value went down this was charged to the income and expenditure account, and ultimately reflected in the capital adjustment account. There was an overall downward valuation on the council's investment properties of £10.69 million and the council's operational properties of £2.478 million. The total downward valuation of £13.168 million is charged to the council's income and expenditure account and reversed out in the statement of movement on the general fund balance to avoid any impact on the council tax payer.

FINANCIAL PERFORMANCE

Revenue and capital outturn 2008/09

- 4.8 A revenue outturn report will be presented to the executive on 27th August 2009. This will provide detail on what the council spent as against the budgets it set for the year and the reasons for any variations.

Income and expenditure account

- 4.9 The income and expenditure account shows the true cost of the council's services as defined by accounting standards. It shows that council spent £52.7m on the provision of services less income from fees and charges, sales, rents and contributions, resulting in a net cost of services of £20.9m. Other accounting adjustments, including adjustments for the council's fixed assets, such as depreciation, along with adjustments for interest income and notional charges for the council's pension fund liability (under FRS 17), mean the council's net operating expenditure was £30.3m. The total financing from government grants and local taxpayers of £15m meant there was a net deficit on the income and expenditure account of £15.3m.
- 4.10 The statement of movement on the general fund balance analyses this net deficit of £15.3m and removes the accounting adjustments such as those identified above that cannot be charged to council tax, to reconcile to the closing general fund balance position of £2.25m.

Balance sheet

- 4.11 The reported net worth of the council fell from £73.7m to £48.4m at 31 March 2009, a decrease of £25.3m. The main reasons for this are as follows:

- Fixed assets

- 4.12 The council owned £67.9m of fixed assets at 31 March 2009, a net decrease of £14.1m on the previous year. This large reduction in value is principally the result of a review of the value of the council's assets in the current economic climate, which resulted in a total reduction in value of £13.2m.

- Pension liability

- 4.13 The council's net pension liability increased by £10.7m to £29.9m, as illustrated in note 35. In the current economic climate the actuarial assumptions concerning the expected

rate of return on scheme assets are lower than in previous years, whilst the mortality assumptions – which reflect expectations of life expectancy of scheme members – have increased.

- Investments

4.14 The value of the council's investments as shown on the face of balance sheet increased slightly by £1.5m. Because the council holds short term deposits the interest rates were maintained at the previous high level until near the end of the financial year and an overall increase in capital value was achieved of £323k.

- Collection fund

4.15 The council as a billing authority is required to separately account for income and expenditure in respect of council tax, business rates and community charge. This account is known as the collection fund. Income of £119.1m in 2008/09 was distributed as precept / demands, and to the National Non-Domestic Rates Pool. The account is showing a net surplus of £132,000 which will be re-distributed to all precepting authorities.

5. Financial implications

5.1 These are covered in the body of the report.

6. Legal implications

6.1 Approval of the statement of accounts by the committee fulfils the requirement of regulation 10 of the accounts and audit regulations 2003. If any significant mis-statement is identified after approval then an amended version will need to be brought back to the committee.

7. Conclusion

7.1 It is recommended that the committee formally approves the 2008/09 statement of accounts and that the chair of the committee formally signs the accounts to certify that this has been done.

Background Papers: The statement of accounts for 2008/09

Report checklist

This must be completed for every report

Press Officer

Shona Parsons/Nikki Malin Date

Financial Implications

Accountant Date

Legal Implications

Solicitor Date

I confirm that consideration has been given to the following implications. Any that impacts on the item have been integrated in the report:

- Human Resource Implications
- Equality and Diversity Implications
- Health & Safety Implications
- Risk Management Implications
- Sustainability Implications

Author/HoS Date

Agreed by Executive Portfolio Holder (if appropriate)

Executive Portfolio Holder Date

Please send completed form to Democratic Services with final version of report

Exemption / confidentiality

Is Report Exempt/Confidential? If yes, state which paragraph of Schedule 12A to the Local Government Act 1972

Democratic Services Officer Date

Report Cleared

Head of Service / Strategic Director Date