

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE – 26 MAY 2010

Title of report	ANNUAL ACCOUNTS – KEY FEATURES
Contacts	<p>Councillor Matthew Blain 07979 854062 matthew.blain@nwleicesterhire.gov.uk</p> <p>Corporate Director 01530 454520 alan.davies@nwleicestershire.gov.uk</p> <p>Head of Finance 01530 454701 lynn.gill@nwleicestershire.gov.uk</p>
Purpose of report	To outline the key features of the Annual Statement of Accounts.
Strategic aims	Organisational Development.
Implications:	
Financial/Staff	No direct implications
Link to relevant CAT	None
Risk Management	Failure to prepare accurate annual accounts will have a negative impact on the Council's Use of Resources Assessment and can result in an adverse audit opinion, thereby harming the Council's reputation.
Equalities Impact Assessment	No impact
Human Rights	No implications
Transformational Government	No implications
Consultees	None
Background papers	Annual statement of accounts 2008/09.
Recommendations	THAT THE REPORT BE NOTED.

1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2003 require that a copy of the Annual Statement of Accounts 2009/10, signed and dated by the responsible Financial Officer be approved by the Council by 30th June 2010.
- 1.2 The accounts are required to present a “true and fair” view of the financial position and transactions of the Council and are prepared in accordance with the Statements of Recommended Practice (SORP), which involves interpretations of accounting standards by the Accounting Standards Board (ASB). The SORP represents the minimum for disclosure and presentation.
- 1.3 The SORP has been prepared on the basis that the purpose of the accounts is to give electors, taxpayers, employees and other interested parties clear information about the Council's finances. All accounts should reflect a common pattern of presentation (not necessarily identical) and should contain interpretation and explanation. Accounts should be written in plain language and technical terms and jargon used sparingly.
- 1.4 The Accounts for 2009/10 will be presented to the Audit and Governance Committee for approval on 24/06/10. The report will include a reconciliation of the formal accounts to the Council's general fund. As the accounts are lengthy and complex documents, this report is designed to outline the main financial statements.
- 1.5 The Annual Statement of Accounts contains the following key financial statements.
 - i. Income and expenditure account – the cost for the year of the main services / functions for which the Council is responsible, with sources of income. This account is supported by a number of reconciliations and explanatory notes.
 - ii. Balance sheet – setting out the Council's financial position at the end of the financial year and calculating our 'net worth'. There are also a number of explanatory notes.
 - iii. Statement of total recognised gains and losses – analysing how the Council's 'net worth' has changed between financial years.
 - iv. Cash flow statement – analysing where cash received during the year has come from and what it has been spent on. There are also a number of explanatory notes.
 - v. Housing Revenue Account – a separate account which records income and expenditure in respect of local authority housing. There are also a number of explanatory notes.
 - vi. Collection fund – this records money received from council tax payers and business rate payers and then shows what they money is used for.
- 1.6 Copies of the above statements from the 2008/09 accounts are attached, and the Corporate Director will explain them in more detail at the meeting, and provide an opportunity for members to ask questions.

INCOME AND EXPENDITURE ACCOUNT

2007/08		NOTES	2008/09		
Net Expenditure £'000			Gross Expenditure £'000	Income £'000	Net Expenditure £'000
767	Central Services to the Public	IE3	6,209	(5,491)	718
8,324	Cultural Environmental and Planning Services		13,467	(4,784)	8,683
737	Highways Roads and Transport		1,527	(967)	560
643	Housing Services - General Fund	IE3	14,013	(13,543)	470
319	Housing Services - HRA		32,851	(13,277)	19,574
2,352	Corporate & Democratic Core		2,792	(37)	2,755
40	Non Distributed Costs		552	0	552
13,182	Net Cost of Services	IE9	71,411	(38,099)	33,312
0	(Gains)/loss on disposal of fixed assets				(226)
1,070	Parish Council Precepts	IE1			1,108
34	Deficit/(Surplus) on Trading Accounts	IE7			1,115
932	Interest Payable and Similar Charges (Including premiums)				922
792	Contribution of Housing Capital Receipts to Pool				653
(457)	Interest & Investment Income				(637)
(375)	Pension Interest Loss & Return on Pension Assets	IE9			248
15,178	Net Operating Expenditure				36,495
(6,387)	Demand on Collection Fund				(6,597)
(147)	Local Authority Business Growth Incentive				0
(961)	General Government Grants				(863)
(5,730)	Non-Domestic Rate Distribution				(6,041)
1,953	Deficit for Year				22,994

* Notes to the Core Accounting Statements are now grouped together starting at page 16

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007/08		NOTES	2008/09	
Net Expenditure £'000			£'000	Net Expenditure £'000
1,953	Deficit on Income and Expenditure Account		22,994	
(1,905)	Net Additional Adjustments (see Table of Reconciliation)		(23,063)	
48	General Fund (Surplus)/Deficit for the Year			(69)
	Balances brought forward 1st April 2008			
(779)	General Fund		(793)	
(105)	Special Expenses		(42)	
(835)				(835)
	Balances carried forward at 31st March 2009			
(793)	General Fund			(844)
(42)	Special Expenses			(60)
(835)				(904)

The Income and Expenditure Accounts shows the actual financial performance for the year, measured in terms of the resources consumed and generated over the twelve month period. However, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to the pension Fund and pensioners, rather than as future benefits are earned.

The General Fund balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This statement summarises the differences between the year end position on the Income and Expenditure Account and the General Fund balance.

RECONCILIATION OF MOVEMENT ON GENERAL FUND

	2007/08 £'000	2008/09 £'000
Included in the Income & Expenditure Account Not Affecting General Fund Balance		
Depreciation and Impairment on Fixed Assets	(858)	(24,013)
Government Grants Deferred - Amortisation	145	145
Revenue expenditure funded from capital under statute	(177)	(44)
HRA depreciation in excess of major repairs allowance	(1,012)	258
Profit/loss on Fixed Asset Disposal	0	226
FRS 17 Reversal of Pensions	1,894	1,851
Effective Interest Rate	(138)	(123)
Sub Total	(146)	(21,700)
Not Included in the Income & Expenditure Account Affecting General Fund Balance		
Minimum Revenue Provision	553	517
Revenue Contributions to Capital Spending	165	51
Housing Capital Receipts Pooling Payment	(793)	(653)
FRS 17 Employer Contributions	(1,552)	(1,986)
Sub Total	(1,627)	(2,071)
Other Items Required to be Taken into Account		
HRA Balances	202	(279)
Transfers to and From Reserves	(334)	987
Sub Total	(132)	708
Total Adjustments (see movement in General Fund Balance)	(1,905)	(23,063)

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

2007/08 £000		2008/09 £000
(1,953)	(Deficit) on the Income and Expenditure Account	(22,994)
3,137	Asset Revaluation Amount	87
2,104	Change in Pension Liabilities	(10,278)
(1,632)	Change In Premiums Adj	0
143	Other Changes in Net Worth	(142)
1,799	Change in Net Worth	(33,327)
	Balance Sheet	
227,212	Opening Total Assets Less Liabilities	229,011
229,011	Closing Total Assets Less Liabilities	195,684
1,799	Change in Net Worth	(33,327)

CASH FLOW STATEMENT

2007/08		Notes	2008/09	
£000's	£000's		£000's	£000's
REVENUE ACTIVITIES				
Cash Outflows				
14,939			15,648	
793			653	
14,600			17,921	
11,770			6,338	
35,687			37,773	
40,848			42,271	
	118,637			120,604
Cash Inflows				
(7,382)			(6,969)	
(37,662)			(39,679)	
(39,981)			(44,325)	
(5,730)			(6,041)	
(17,338)		CF5	(17,907)	
(1,448)		CF5	(1,760)	
(10,344)			(6,170)	
(2,280)			(2,820)	
	(122,165)			(125,671)
	(4,072)	CF1		(5,067)
Revenue Activities Net Cash Inflow				
RETURNS ON INVESTMENT AND SERVICING OF FINANCE				
Cash Outflows				
656			661	
Cash Inflow				
(611)			(696)	
	45			(35)
Servicing of Finance Net Cash Outflow				
CAPITAL ACTIVITIES				
Cash Outflows				
4,522			1,348	
Cash Inflows				
(1,249)			(568)	
0			0	
(44)			(69)	
(1,293)			(637)	
	3,229			711
	0			0
	(798)			(4,391)
ACQUISITIONS and DISPOSALS				
Net Cash (Inflow) / Outflows Before Financing				
MANAGEMENT OF LIQUID RESOURCES				
	(130)	CF3		4,687
Net increase/(decrease) in short term deposits				
FINANCING				
Cash Outflow				
376			12	
Cash Inflow				
0			0	
	376	CF4		12
Net Cash (inflows) / outflows from Financing				
	(8)	CF2		308
(Increase) / Decrease in Cash				

HOUSING REVENUE ACCOUNT (HRA)

HOUSING INCOME AND EXPENDITURE ACCOUNT

2007/08			NOTES	2008/09	
£'000	£'000			£'000	£'000
	(12,720)	INCOME			
(90)		Rents - Dwellings	H4		(12,513)
(16)		Rents - Garages / Sites		(96)	
(15)		Rents - Shops		(16)	
		Rents - Other		(3)	
	(121)				(115)
	(203)	Charges for Services and Facilities			(194)
	(505)	Supporting People Grant			(455)
	<u>(13,549)</u>	TOTAL INCOME			<u>(13,277)</u>
		EXPENDITURE			
	3,078	Repairs & Maintenance			2,934
		Supervision & Management			
2,164		- General		2,030	
900		- Special		741	
	3,064	Capital Charges			2,771
	3,617	- Depreciation & Impairment of Fixed Assets	H8/9		22,679
	4,052	Housing Subsidy Payments to the National Pool	H10		4,406
	36	Increase in provision for Bad or Doubtful Debts			42
	21	Debt Management Expenses			19
	<u>13,868</u>	TOTAL EXPENDITURE			<u>32,851</u>
		NET COST OF HRA SERVICES INCLUDED IN INCOME & EXPENDITURE ACCOUNT			19,574
	319				
	230	Housing Share of Corporate & Democratic Costs			169
	549	NET COST OF HRA SERVICES			19,743
	0	(Gain) or Loss on Sale of HRA Fixed Assets			(226)
	134	Interest Payable & Similar Items			137
	116	Amortisation of Premiums & Discounts			116
	(3)	Interest on Sale of Council Houses			(1)
	<u>796</u>	DEFICIT ON HRA SERVICES			<u>19,769</u>

COLLECTION FUND

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2007/08		2008/09	
£000's		£000's	£000's
	INCOME		
(37,722)	Council Tax (Net of benefits, discounts for prompt payment and transitional relief)		(39,762)
(4,526)	Transfers from General Fund:- - Council Tax Benefit		(4,876)
(187)	Contributions:- - Towards previous year's Collection Fund Deficit / (Surplus)		42
(40,544)	Business Ratepayers		(45,193)
(82,979)			(89,789)
	EXPENDITURE		
	Precepts and Demands:-		
29,934	L.C.C.	31,254	
4,288	Leicestershire Police	4,974	
1,465	Leicestershire Fire and Rescue	1,545	
6,415	N.W.L.D.C. (including Parish and Specials)	6,591	
42,102			44,364
	Business Rate:-		
40,419	Payment to National Pool	44,527	
(30)	Increase in doubtful debt provision	511	
155	Costs of Collection	155	
40,544			45,193
	Bad and Doubtful Debts / Appeals		
177	- Provisions	363	
177			363
82,823			89,920
(156)	Movement on fund balance - (Surplus) / Deficit for the year		131
46	Collection Fund Balance at 1st April 2008		(110)
(110)	Collection Fund Balance at 31st March 2009		21