

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT & GOVERNANCE COMMITTEE – 24 JUNE 2010

Title of report	ANNUAL STATEMENT OF ACCOUNTS 2009/10
Contacts	Councillor Nicholas Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Corporate Director 01530 454520 alan.davies@nwleicestershire.gov.uk
Purpose of report	To present the Annual Statement of Accounts 2009/10.
Strategic aims	Organisational Development.
Implications:	
Financial/Staff	Financial issues are contained within the report.
Link to relevant CAT	None.
Risk Management	Failure to prepare accurate annual accounts will have a negative impact on the Council's audit opinion, thereby harming the Council's reputation.
Equalities Impact Assessment	No impact.
Human Rights	No implications.
Transformational Government	No implications.
Consultees	Corporate Leadership Team.
Background papers	Working papers held in the Financial Planning Section.
Recommendations	THAT COMMITTEE APPROVE THE ANNUAL STATEMENT OF ACCOUNTS 2009/10.

1.0 INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2003 require that a copy of the Annual Statement of Accounts 2009/10, is signed and dated by the responsible Financial Officer and be approved by 30th June 2010. This Committee has full delegated powers to approve the accounts.
- 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’ 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 2009 SORP has introduced some limited changes in accounting practices.
- 1.5 Financial performance against the approved budget has been included in the quarterly performance management reports, considered by both the Cabinet and Scrutiny Committees throughout the year.
- 1.6 At the time of writing this report, work is still being undertaken to finalise the Annual Statement of Accounts 2009/10 and this will be forwarded to Members separately from the agenda. Financial summaries have been included in this report in order to bring significant issues to Members’ attention. Following the conclusion of the annual audit of these accounts, any material amendments to the accounts required by the external auditor will be reported back for approval. The external audit, carried out by District Audit, must be completed by 30th September 2010.
- 1.7 The Annual Statement of Accounts contains the following information:
 - i. A Foreword – which briefly summarises the main features of the accounts.
 - ii. A summary of the financial year – setting out what the money is spent on, where it comes from, and prospects for the future.
 - iii. Statement of accounting policies – explaining the main principles and policies used to calculate the figures shown in the accounts.
 - iv. 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.
 - v. 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.
 - vi. Statement of total recognised gains and losses – analysing how the Council’s ‘net worth’ has changed between financial years.
 - vii. 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.

- viii. 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.
- ix. Collection fund – this records money received from council tax payers and business rate payers and then shows what the money is used for. There are also a number of explanatory notes.
- x. Special expensed – summarising spending in the special expenses area of the district together with details of how this is paid for.
- xi. Signature by statutory (Section 151) finance officer, and the chairman of the meeting that approves the accounts.

1.8 The Council now has to produce an Annual Governance Statement (AGS) which must be signed by the Leader and Chief Executive. The AGS is included as a separate item on the agenda. The signed AGS will be included in the accounts.

2.0 OVERALL FINANCIAL PERFORMANCE

2.1 The underlying message on all funds (General Fund, Special Expenses and Housing Revenue Account) is that spending has been kept within the approved budget and a small underspending has increased the levels of reserves slightly.

2.2 The expected final position was reported to Cabinet on 22nd June 2010. The figures reported to Cabinet are shown on the following tables:

TABLE 1. GENERAL FUND

GENERAL FUND	Original Budget £'000	Provisional Outturn £'000	Provisional Variance £'000
Directorate Expenditure	11,378	11,354	-24
Depreciation	-824	-857	-33
Contingency	419	0	-419
Net Financing Costs	980	1,060	80
Capital Schemes (RCCO)		40	40
	11,953	11,597	-356
Contribution to Doubtful Debts Provision		50	50
Contribution to Contingency		100	100
Contribution to VFM		206	206
	11,953	11,953	0

TABLE 2. SPECIAL EXPENSES

	2008/2009		
	ORIGINAL BUDGET	EXPECTED OUTTURN	EXPECTED VARIANCE
	£'000	£'000	£'000
Special Expenses	625	500	-125
Impairment		145	145
	625	645	20
Net financing costs	-13	-30	-17
Capital Schemes	21	31	10
Cont to Improvement Fund	20	20	
NET EXPENDITURE	653	666	13

TABLE 3. HOUSING REVENUE ACCOUNT

	2009/10		
	ORIGINAL ESTIMATE	ACTUAL	VARIANCE
	£'000	£'000	£'000
HOUSING REVENUE ACCOUNT			
Repairs and Maintenance	3,510	3,544	34
Supervision and Management	2,847	2,126	-721
Provision for Doubtful Debts	60	104	44
Capital Financing (Depreciation and Debt Management)	2,755	-7,130	-9,885
Subsidy Paid to National Pool	4,175	3,644	-531
Total Expenditure	13,347	2,288	-11,059
Less Rental Income & Service Charges	-13,684	-13,277	-407
Net Cost of Service	-337	-10,989	-10,652
Capital Financing (Interest)	138	165	27
Investment Income	-3	-1	2
Premature Loan Redemption Premiums	102	102	0
NET OPERATING EXPENDITURE	-100	-10,723	-10,623
Impairment (increased valuation)	0	9,053	9,053
Contribution to Reserves	0	150	150
Depreciation less than MRA	0	832	832
Transfer to Pension Reserve	0	178	178
	0	10,213	10,213
NET (SURPLUS) / DEFICIT	(100)	(510)	(410)
<u>HRA BALANCES</u>			
Balance Brought Forward	(543)	(543)	0
(Surplus)/Deficit for Year	(100)	(510)	(410)
Balance as at year end	(643)	(1,053)	(410)

- 2.3 Members will note that the Statement of Accounts does not include the above tables. The Council has to report a consolidated financial position in the Statement and this can be found in the Income and Expenditure Account. The analysis on this account is prescribed and does not align with our management and monitoring statements (as above). However, a reconciliation of this account with the general fund is included in the accounts.
- 2.4 Perhaps the most noticeable figure on the Income and Expenditure Account is the final line (surplus for the year) of £13.361m. This does not reflect the “operational” position of the Council and this is shown in the tables above. The Statement, which is prepared in accordance with the required accounting practices, requires many other transactions to be accounted for via the Income and Expenditure Account. These are not included in the regular monitoring report, as they have no effect on net expenditure chargeable against either Council Tax receipts or Housing Rents. An analysis of these other adjustments is shown on page 14 of the Statement. It will be noted that the largest single adjustment is described as “Depreciations and Impairment of Fixed Assets”. In the main this figure reflects the change in value of assets and depreciation charged against those assets.
- 2.5 Total reserves increased by some £0.9m (£0.5m of which relates to the HRA) during the year. Details are set out below:

	1 st April 2009 £'000	31 st March 2010 £'000
General Fund working balance	844	844
General Fund earmarked reserves/provisions	2,642	2,888
Special Expenses working balance	60	70
HRA working balance	543	1,053
DLO earmarked reserves/provisions	38	58
HRA earmarked reserve	247	327
Usable capital receipts	566	617
	4,940	5,857

3.0 CAPITAL

- 3.1 The Council's capital spending in the year was £4.78m. Details are set out below:

	£000's	%
HOUSING		
Improvements & Modernisations	2,573	53.83
Housing Improvement Grants	721	15.08
OTHER SERVICES		
Parks & Recreation Grounds	159	3.33
IT & Software	331	6.92
Transport Account Vehicles	126	2.64
Hermitage Leisure Centre Refurbishments	853	17.85
Other Schemes	17	0.36
	4,780	100.00

Total outstanding long term debt at 31 March 2010 was £16.1m (the same as the previous year.)

4.0 CONCLUSION

- 4.1 The Annual Statement of Accounts 2009/10 is presented for approval in accordance with the prescribed timescales. Spending across the General Fund, Housing Revenue Account, Special Expenses and Capital has been maintained within the allocated budgets, with a small level of underspending, and there remains a prudent level of reserves in these areas. This is a very satisfactory performance given the financial and economic pressures experienced in 2009/10, and means that the Council's finances remain in a sound position.
- 4.2 Financial Management arrangements including value for money, will be assessed by the District Auditor as part of the final accounts audit.