Agenda Item No:

Report to: Audit Committee

Date of Meeting: 28th June 2010

Report Title: FINAL ACCOUNTS 2009-2010

Report By: Neil Dart, Deputy Chief Executive and Director of Corporate Resources

Purpose of Report

This reports set out the final accounts position for 2009-10. The Audit Committee are asked to approve the Statement of Accounts on behalf of the Council in accordance with the Accounts & Audit Regulations 2003.

Recommendation(s)

1. The draft Statement of Accounts be approved and a copy signed by the Chair of the Audit Committee in accordance with the Accounts & Audit Regulations 2003.

2. The Committee note the outturn position on the General Fund for 2009-10.

3. The 2009-10 outturn position, along with the revised estimates for 2010-11 is taken into account when preparing the 2011-12 detailed revenue estimates.

4. That the Audit Committee recommend to Cabinet that the carry forwards be agreed.

Reasons for Recommendations

Compliance with statutory requirements and good practice. The Council is accountable for the use of public money and continuously seeks to improve Value for Money.

Background

Introduction

1. The Accounts & Audit Regulations 2003 require the Council to approve the Statement of Accounts by the 30 June each year and publish them by 30 September. This Committee has delegated authority to approve the accounts on behalf of the Council. The un-audited Statement of Accounts is attached.

2. The Council's external auditors PKF will commence auditing the full accounts in early July and a report will be brought to the Audit Committee in September giving details of the outcome of the audit and of any material amendments made to the accounts.

3. There is an improvement in the General Fund revenue outturn compared to the revised budget.

Statement of Accounts

4. The Statement of Accounts as defined in the regulations and CIPFA's Accounting Code of Practice comprises:

   * An explanatory foreword.
   * A statement of accounting policies.
   * The accounting statements.
   * Notes to the accounts.
   * Statement of Responsibilities for the Statement of Accounts.

5. With respect to the Statement of Accounts I would draw your attention to changes introduced by the 2009 SORP (Statement of Recommended Practice) that are:-

   - IFRIC (International Financial Reporting Interpretations Committee) 12 this relates to service concessions where the Council regulate/control a service

   - Providing more detailed information regarding senior employees' remuneration.

   - NNDR/Council Tax/ Collection Fund separates principal and agents elements i.e. balances owed and due between Hastings Borough Council, East Sussex County Council, East Sussex Fire & Rescue Authority and Sussex Police Authority.

   - Removal of section 137 LG (Local Government) Act 1972 note re: discretionary expenditure.

   - Removal of publicity expenditure section 5 LG Act 1986.

   - Removal of Building control statement.

6. The Council's draft accounts for approval are attached in Appendix F.

The Accounting Statements

7. The Income and Expenditure Account provides a summary of the resources generated and consumed by the Council in the year.

8. The Statement of the Movement on the General Fund Balance is a reconciliation showing how the balance of resources generated / consumed in the year links in with the statutory requirements for raising Council Tax.

9. The Statement of Total Recognised Gains and Losses brings together all the gains and losses of the Council for the year and shows the aggregate increase or decrease in its net worth.

10. The Balance Sheet shows the value of the Authority's assets and liabilities against its reserves and balances.

11. The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions between the Council and external bodies and individuals for the year.

12. The Collection Fund Income and Expenditure Account produced a surplus in the year of £103,000. There was a small deficit of £71,000 in the previous year. The cumulative surplus at the 31st March 2010 is therefore £32,000, which is a relatively small and manageable balance (it represents 0.07% of the income collected from Council taxpayers). An in year council tax collection rate of 96.1% was achieved in 2009-10 (95.7% in 2008-09).

13. Further interpretation of the accounts highlighting key issues is contained within the explanatory foreword of the Statement of Accounts.

General Fund Position - Revenue

14. A summary of the provisional outturn for the year is shown in Appendix A. The total service expenditure is £1.488m less than the revised estimate. The overall net underspend is £1.980m (See Appendix B) when compared to the revised budget; of which £167,000 will be carried forward into 2010-11. If the one-off VAT receipt (£1.58m) and the general timing differences on the use of reserves are excluded e.g. repairs and renewals, the Council is better off by £232,905. The net under spend of £399,905 (excluding the net VAT receipts) is equivalent of 0.4% of the Council's gross expenditure (£103.6m).

15. The Revised Budget assumed a contribution from the General Reserve of £400,687. The improvement shown above results in £1,578,930 being credited to the General Reserve (£1,979k-401k). This is good news for the Council and as at 31 March 2010 the balance on the General Reserve is £2,770,461. The General Fund working balance remains at £500,000.

16. The variations from budget are shown in Appendix B. Please note that the recharges of support services, depreciation and capital charges are excluded from the analysis - as being internal charges. Also shown are the budgets that the Deputy Chief Executive and Director of Corporate Resources has agreed can be

carried forward to 2010-11 in accordance with delegated authorisations contained in the Financial Rules.

17. There was a management restructure during the year 2009-10. The ongoing annual saving to the Council is £452,000. The saving achieved on the management restructure in the year was £149,000 in 2009/10, and redundancy costs relating to this were £211,000. There was a further cost of £209,000 in pension enhancements which will be met through annual pension contributions.

18. Other variations worth noting are:-

    The council has been successful in a "Fleming case" VAT claim against H M Revenue and Customs relating to cultural income 1990 to 1996, sporting admissions 190 to 1994 and parking control notice income 1973 to 1996. It has received £1.58 million net of fees for the claim and interest. This sum has been earmarked as part of the budget process. The VAT monies receivable are £88,000 less than originally reported because of a reappraisal of the figures by our external advisers.

    The balance on Area Based Grant funded schemes amounted to £690,000

Reserves

19. The accounts detail the Reserves position at 31 March 2010. The estimated balance when setting the Revised Budget for the main Revenue Reserves was £9.976m. The actual position is £11.365m. There are carry forward requests of £894,000 to be funded from reserves which reduces the overall reserve balance to £10.471m. It should be noted that without the VAT receipts, the use of which have already been earmarked, the reserves would amount to £8.892m.

20. The Council received £3.406m of Area Based Grant monies (revenue) in 2009/10. There is a carry forward of £690,000. The Council can roll spending from one year to the next without clawback and this enables money to be reallocated if anticipated spending is not achieved or becomes less appropriate. The Government's announcement on 10 June results in a reduction of £286,000 of Area Based Grants.

21. The Medium term Financial Strategy identified the need for any underspend to be used as an opportunity to strengthen reserves. The underspend (including the transfer from provisions) in 2009/10 of £232,905 has been transferred to the General Reserve in order to meet expected shortfalls in income in 2010/11 and beyond. The Cabinet would need to make this decision, but the Audit Committee may consider making a recommendation to this effect.

Capital Programme and Resources

22. Gross capital expenditure in 2009-10 was £6.449m compared to the revised programme of £7.664m. The variations are shown in Appendix C. A review of the reasons behind each variation has been undertaken - the majority being caused by external factors beyond the Council's immediate control.

23. The 2009-10 capital expenditure is to be financed as per Appendix D.

24. Unused capital receipts, reserves and grants have been used to finance £5.433m of the expenditure whilst borrowing will meet the remaining £1.016m.

Provisions for Credit Liabilities

25. From 1 April 2007 the Government introduced new regulations concerned with the treatment of MRP (Minimum Revenue Provision – a sum calculated to repay capital debt). This places a general duty on the Council to make prudent provision for the re-payment of capital debt. The option chosen by the Council has given rise to a charge to revenue in 2009-10 of £331,000.

Pensions

26. An accounting standard (FRS17) requires Councils (and businesses) to disclose the deficits/surpluses in their pension funds on an annual basis and to include the deficit within the Balance sheet. This necessitates actuaries identifying the assets and liabilities of the respective institutions investing within the fund on a point in time basis i.e. what the value of Pension Fund investments were worth on 31 March. It should be noted that this is a snap shot of the pension fund on just one day and that equities and bond prices go up and down on a daily basis.

27. The FRS 17 calculation shows a deficit of £51.739 million at the 31st March 2010 (£25.033 million at 31.3.2009) which represents the difference between the assets that the Council has within the fund (equities, bonds, property and cash) which amount to £79.984 million (£59.186 m at 31.3.09) while liabilities amount to £131.723 million (£84.219 m at 31.3.09). The large increase is not unexpected in light of the worldwide recession and falling returns on investments across the board. At this point in time there is no requirement on the Council to amend the contributions to the fund, either for employers or employees.

28. East Sussex County Council administers the pension scheme. Full actuarial valuations are carried out on a three yearly basis (last carried out at 31st March 2007) and the valuation has led to a need for the primary employer contribution to the fund to be 21.8% for the three years from 2008-09. This rate has been allowed for in the Council's budget and factored into the Revenue Budget Forward Plan assumptions. A full actuarial valuation is being carried out as at 31st March 2010 and the impact of this valuation will be known in the autumn.

Financial Strategy

29. The Council's financial standing remains healthy. To maintain this position, and given the major uncertainties in future funding, it needs to take opportunities to strengthen reserves and identify further significant efficiencies in order to maintain a balanced budget in the future.

30. It is standard practice to analyse previous year variations when determining the forthcoming budget. It is recommended that the 2009-10 outturn position, along with the revised estimates for 2010-11, be taken into account when preparing the 2011-12 detailed revenue estimates.

Wards Affected

None

Area(s) Affected

None

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	No
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No

Supporting Documents

Appendix A - Final Accounts Summary 2009-10
Appendix B - Major Variations and Carry Forward of Budgets into 2010-11
Appendix C - Capital Programme Expenditure 2009-10
Appendix D - Capital Programme Finance 2009-10
Appendix E - Statement of Reserves

Officer to Contact

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