

Statement of Accounts 2008/09

AUDIT COMMITTEE

Date: 23rd June 2008

Author: Cabinet Member, Resources and the Director of Finance

Wards Affected: All

Purpose

- To approve the pre-audited Statement of Accounts for Financial Year 2008/09.

Recommendation

- The Audit Committee is asked to scrutinise and then approve, subject to any amendments, the pre-audited Statement of Accounts for the Financial Year 2008/09 (subject to any changes identified through Member's consideration of the Governance Statement elsewhere on the agenda)

1. Reasons

- 1.1 The terms of reference for the Audit Committee include approving the Council's annual Statement of Accounts. This report includes the pre-audited Statement of Accounts for Financial Year 2008/09 for scrutiny and approval.

2. The Process of Closing the 2008/09 Accounts

- 2.1 The deadline for approving the un-audited accounts is statutorily set as the 30th June. Changes to the accounting environment, as reported to the Audit Committee on 21st April 2009, have required further work to be undertaken on restating prior year accounts, but the Council is again in a position to meet the statutory deadline.

3. Overview of the Council's Financial Position

- 3.1 The outturn report to Cabinet on 10th June 2009 set out the closing position on the Council's General Fund revenue budget, being an underspend of £3.6m which has been appropriated to reserves. Further details can be found within the Cabinet report and in summary form in the Statement of Accounts itself.
- 3.2 The Council has successfully delivered its revenue budget in each of the past three years. However, unlike in previous years where the majority of Departments delivered services within budget, in 2008/09 service areas experienced significant difficulties in containing expenditure and raising income, primarily as a result of the economic downturn. The ongoing impact of this is being felt in the current financial year. The Council ended the year

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Statement of Accounts 2008/09

AUDIT COMMITTEE

Date: 23rd June 2008

with acceptable levels of general and specific reserves, the levels of which have been considered by the Director of Finance as part of the closedown process.

4. Balance Sheet Key Issues

Assets

- 4.1 The Council has total net assets at 31st March 2009 of £908.3 million, a decrease of £26.9 million over the previous year due mainly to the restatement of the pension liability and fixed assets valuations. Revaluations are undertaken on a rolling five-yearly cycle. A summary of Fixed Asset value movements is summarised in Table 1 below.

Table 1: Summary Asset Value Movements

	Operational Assets	Non-Operation Assets	Total
	£000	£000	£000
Value at 31/3/08	988,472	126,386	1,114,858
Reclassification	6,744	-6,744	0
Revaluations	58,110	420	58,530
Additions	38,193	19,093	57,286
Disposals	-1,927	-1,372	-3,299
Depreciation	-23,625	0	-23,625
Impairment	-14,773	-523	-15,296
PFI	1,009	0	1,009
Value at 31/3/09	1,052,203	137,260	1,189,463

Debtors / Creditors

- 4.2 Debtors (after allowing for a provision for doubtful debts) have increased by £9million to £44.8million. This increase includes amounts due for VAT reimbursement (£3.6million) and other grant claim related income (£5.3million). Creditors have increased (by £21 million) also, to £57.2 million, with the significant element of this rise being due to capital creditors (the Wichelstowe creditor has now become a short-term creditor where previously it was long-term).

Liabilities (Long-term)

- 4.3 The most significant long-term liability at 31 March 2009 (£145 million) related to a notional liability on the Pension Fund to comply with the requirements of Financial Reporting Standards (FRS 17) (see below). Excluding this, the Council has significant future long-term commitments of:

Statement of Accounts 2008/09

AUDIT COMMITTEE

Date: 23rd June 2008

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1. £73 million of long-term borrowing as at 31st March 2009 of which £39.1 million is payable within 5 years and £33.9 million over longer periods.

Capital Reserves/Accounts

- 4.4 The Council's Balance Sheet shows £1,009 million of capital reserves and accounts. £1,001 million of this is represented by notional accounts, which are used to revalue assets and provide contra entries to financing the capital programme. The "cash" reserves to fund future projects total £7.9 million of usable capital receipts, or sale proceeds.

Revenue Reserves

- 4.5 Revenue Cash Reserves consist of General Balances for both the Housing Revenue Account (£2 million) and General Fund (£6 million), the Collection Fund surplus (£527k) plus £34.7 million of reserves earmarked for specific purposes. These are set out in more detail in Appendix 1 and are designed to protect the Council against known and potential risks, having specific regard to the issues in the corporate risk register. In addition, the contra entry to the notional pension liability of £145 million appears in this section.

5. Pensions Accounting

- 5.1 The requirements of the Accounting Standard "Accounting for Retirement Benefits" is based on a simple principle – that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. FRS 17 sets out how Councils need to account for such commitments and the Pension Fund Actuary provides a report each year to the Council, providing the required estimations of liabilities, assessed under the projected unit method.
- 5.2 In these calculations the actuary uses a range of assumptions about future pay increases, investment returns and other economic factors. The resulting figures in the accounts are therefore subject to inherent uncertainties.
- 5.3 The pension accounting requirements result in notional adjustments to a large number of figures in the accounts. In 2008/09, the total cost of services within the Income & Expenditure Account was notionally decreased by £3.3m and this is reversed out in the bottom half of the Account so that there is no impact on Taxpayers. In the Balance Sheet, a large pension liability and contra reserve entry of £145 million can be seen which again cancels out to zero in both halves of the Balance Sheet.
- 5.4 The standard which supports the accounting treatment of retirement benefits (FRS17) has been updated for 2008/09 and has resulted in restatement of values, mainly due to changes in actuarial gains and losses.

Statement of Accounts 2008/09

AUDIT COMMITTEE

Date: 23rd June 2008

5.5 The figures do not actually represent the forecast deficit on the Fund in future years as they represent a snapshot picture of the cost of the Fund if it had to pay out its full future liabilities on 31st March, which would never happen in reality.

5.6 In contrast, the triennial actuarial report the Council receives offers a much more forward-looking view of the Fund and this is what is used to assess future contribution levels.

Alternative Options

- Not applicable.

Risk Management

Financial and Procurement Implications

- The Statement of Accounts represents details of income and expenditure for the 2008/09 financial year and the Balance Sheet as at 31st March 2009.

Legal / Human Rights Implications

- There are no Legal/Human Rights issues.

Links to Corporate Plans and Policies (in particular to Swindon 2010 Promises)

- The opinion from the External Auditor on the Statement of Accounts impacts on the Use of Resources CPA score and, consequently, the CPA rating of the Council.

Consultees

- None

Background Papers and Appendices

- Background papers: Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice
- Appendix 1 – Earmarked Reserves
- Appendix 2 – Un-audited Statement of Accounts 2008/09 (to follow)