

AGENDA ITEM

Corporate Affairs Committee

DATE: 27th SEPTEMBER 2010

STATEMENT OF ACCOUNTS 2009/2010

PAUL SLOCOMBE – DIRECTOR OF RESOURCES

PURPOSE OF THE REPORT

1. To seek members approval of the audited 2009/2010 Statement of Accounts.

BACKGROUND

2. Attached to this report are extracts from the audited Statement of Accounts providing details of the main accounting financial statements:
 - Appendix A - Income and Expenditure Account.
 - Appendix B - Statement of Movement on the General Fund Balance.
 - Appendix C - Statement of Total Recognised Gains and Losses.
 - Appendix D - Balance Sheet.
 - Appendix E - Cash Flow Statement.
 - Appendix F - Annual Governance Statement.
 - Appendix G – Reserves & Provisions.
 - Appendix H – Teesside Pension Fund Statement.
3. A copy of the full statement has been made available to all members of the Corporate Affairs Committee and a copy has been placed within the Members Library. In addition a copy of the accounts will be made available on the Council's website, once the External Auditor has signed the document.
4. The Statement of Accounts has had the following alterations made from the draft presented to members in June 2010. There is no impact on the outturn for the year or the Councils overall financial standing.

	Alteration	Reason
1	Explanatory Foreword – Accounting for Council Tax – table added showing the amounts resulting from the change in accounting treatment	To provide additional information on the impact of the new requirements
2	Balance Sheet - Debtors & Creditors Cash Flow Statement – Other Operating Cash Payments Note 26 Debtors & Payments in Advance Note 29 Creditors & Income in Advance Note 44 Reconciliation of the Movement in Net Debt to Cash Group Balance Sheet - Debtors & Creditors Goods receipt put in as £1.4M instead of £14,000. The error was identified and a correction put through the debtors system. It should have been in the creditors system.	Correction of a goods receipting error

Post Balance Sheet Event

5. In its recent budget, the new coalition government announced that, in future, it is the intention to calculate the liability of the pension fund using the Consumer Price index (CPI) rather than the Retail Price Index (RPI). The government announced that this would generate savings, implying that it is anticipated that CPI will be lower than RPI in the future.
6. The Audit Commission have advised that this item should be treated as a “non-adjusting post balance sheet event”. Accordingly no adjustment has been made to the Balance Sheet. The impact of the proposed change has been assessed by the Council’s actuary and they estimate that such a change would reduce the Net Pension Liability by £17.8 million from £193 million to £165.2 million. Note 41 in the Statement has been updated with this explanation.

THE YEAR END FINANCIAL POSITION

7. The application of sound financial management across all services was reflected in the final outturn for the year with a net saving compared to budget of £182,000 (0.14%).
8. There were some significant ongoing pressures dealt with by the service areas during 2009/2010 and a section was included on the impact on Middlesbrough of the current economic climate. A number of the pressure areas highlighted in the Explanatory Foreword in the statement of accounts are continuing into the current financial year including:

- Reduced right-to-buy receipts
- Reduced income from car parking and leisure facilities
- More vulnerable children in care (residential and fostering)
- Increase in demand led pressures on Older People, Physical disabilities, Learning disabilities and Personal Care.
- Further reduction in trading for Ayresome Industries.

9. The Balance Sheet is important to the understanding of the strength of the Council's financial position as at the 31st March 2010. It reports details of, the value of assets owned by the Council, the level of creditors (amounts owed by the Council), the level of debtors (amounts owed to the Council) and the level of provisions and reserves maintained by the Council. The main items of note are detailed in paragraphs 11 to 14.

10. Fixed Assets – these are assets owned by the authority which are used either in direct service provision or held for investment purposes. The value as at 31 March 2010 is £642 million (March 2009 - £566 million). Fixed assets are revalued at least every five years and there was an increase in the value of assets revalued during 2009/2010 of £29.5 million. Actual capital spend in the year was £67.4 million, compared with a budget of £78.8 million. Expenditure during the year was mainly funded from grants (80%), from usable capital receipts (1.8%), from borrowing (14.1%), from revenue contributions (2.9%) and from capital contributions (1.4%).

11. Current Assets – the main items included within this heading are debtors i.e. money owed to the Council as at 31 March 2010 and short-term investments (money invested in other local authorities, a variety of banks and building societies). Short-term investments have reduced by £5.4m to £38.4 million as a result of the funds to repay long term loans. The Council's debtors decreased by £6.5 million to £39.7 million which was mainly due to:

- In March 2008/2009 there was £7.7million of government capital grants due for major capital road schemes, which finished during 2009/2010;
- The amount of VAT owed to the authority at the year-end increased by £1.7million compared to the previous year;
- The changes in the accounting treatment on the sharing of collection fund debtors/creditors with Police & Fire authorities added £0.5 million to the debtors figure.
- The provision for bad debts also increased by £823,000 to £9.7 million.

12. Current liabilities - this is the amount of money owed by the Council to its suppliers and contractors, which totalled £53.8 million as at 31 March 2010 (£45.6 million as at 31 March 2009). The increase in the Council's creditors is due mainly to:

- Outstanding Early Retirement/Voluntary Redundancy payments of £1.6 million;
- Outstanding payments to contractors on the Building Schools for the Future scheme of £1.8 million;

- Income in advance of £4.6 million.
13. Long term liabilities – Long term borrowing was reduced by £20.1 million to £80.4 million during 2009/2010 as the Council utilised cash balances to repay loans and reduce capital financing interest charges. The Pension Liability increased to £192.95 million from £97.16 million March 2009 due to significant reductions in bond yields.. This is the value placed on the Council liability by the Pension Fund Actuary.
 14. The Council's policy is to maintain an appropriate level of reserves and provisions for assessed liabilities - a full list is attached as Appendix G. They are reviewed at year-end and throughout the year. The financial risks to the Council are identified and both revenue and capital funding earmarked to cover the potential costs. The main financial risks are:
 - Equal Pay/Job Evaluation
 - Uncertainty of National/International Finances
 - Building Schools for the Future
 - Older Housing renewal
 - Primary School review (Primary strategy for Change)
 - Efficiency saving targets
 - Revenue Financing Gap 2009/2010 and ongoing
 - Social Care demand led pressures
 - Children Services demand led pressures
 - Direct Schools Grant
 - Partnership arrangements
 - External funding
 15. The draft and final Statements have been produced within the timetable and the quality of the working papers has again been high. There are no major issues raised by the External Auditor - Deloitte. The External auditor will present a draft report which summarise the principal matters that have arisen from the audit for the year end 31 March 2010 to the Committee.

EXTERNAL CONSULTATION

16. Notice was given in the local press for any interested person to inspect, and make copies of, the Statement of Accounts and other supporting documents between 5th July and 30th July 2010. There were no interested persons again this year.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

17. Overall the accounts show a sound financial position for the Council with the level of balances being in line with the Council's Medium Term Financial Plan.

RECOMMENDATIONS

18. It is recommended that members approve the final 2009/2010 Statement of Accounts.

REASONS

19. The recommendation is supported by the requirement to comply with the 2004 Accounts and Audit Regulations, which require the audited Statement of Accounts to be approved by the 30th September 2010.

BACKGROUND PAPERS

The following papers were used in the preparation of the report: -

- Draft Statement of Accounts 2009/2010
- Report to Corporate Affairs Committee 29th June 2010

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