

8. 2008/09 Annual Statement of Accounts

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1. Purpose of the Report

To present the 2008/09 Annual Statement of Accounts to the Audit Committee for approval.

2. Recommendation

To approve the 2008/09 draft Statement of Accounts. A copy of the draft Statement of Accounts has been circulated separately with this agenda.

3. Background

3.1 As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. One of the principles is accountability and preparing and publishing the annual Statement of Accounts is one way that the Council achieves this objective.

3.2 The Accounts and Audit Regulations (England) 2003 came into force on 1 April 2003. Members are required to formally approve the annual Statement of Accounts by the 30th June 2009. The Statement of Accounts needs to be evidenced by the Chair of this committee signing and dating the balance sheet. As this deadline is statutory it is extremely important that the accounts are approved at this meeting. Please contact Amanda Card before the meeting on 01935 462542 with any questions on the information presented.

3.3 This report:

- Outlines the key features of the 2008/09 revenue outturn position;
- Summarises the 2008/09 capital outturn position;
- Presents the 2008/09 Statement of Accounts and explains the key features and reasons for variations within those accounts.

4. Key Features of the 2008/09 Outturn Reports

4.1 Revenue Outturn

4.1.1 The figures that were presented to District Executive on 11th June 2009 represent the “Above the Line” budgets that are monitored by the Executive on a quarterly basis. Members of the Audit Committee will find that the figures presented to them in the Statement of Accounts differ from those reported to District Executive as they represent both “Above” and “Below the Line” as a total cost. The “Below the Line” figures are distinguished from the “Above the Line” costs as they are outside the control of the delegated budget holder, being capital charges and recharges from support services such as Human Resources, Legal and Financial Services.

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4.1.2 The overall outturn for SSDC Services, excluding the LSP, in 2008/09 was £258,300 under spent. Outlined below is the summary of the figures presented to the District Executive on 11th June;

	Original Budget £'000	Movement During the Year £'000	Outturn Budget £'000	Actual Spend £'000	Variation £'000	
Strategic Management	1,183.8	(254.6)	929.2	804.6	(124.6)	F
Financial Services	(858.6)	(0.5)	(859.1)	(1,398.4)	(539.3)	F
Legal Services	1,022.3	97.3	1,119.6	1,448.2	328.6	A
Human Resources	1,441.8	(869.1)	572.7	487.1	(85.6)	F
Communications	182.4	(34.1)	148.3	105.1	(43.2)	F
Policy & Performance	108.3	(9.5)	98.8	40.6	(58.2)	F
Procurement	292.7	(23.6)	269.1	166.0	(103.1)	F
Customer Services	657.2	(3.2)	654.0	576.0	(78.0)	F
E Government & Technology	1,526.8	54.2	1,581.0	1,557.4	(23.6)	F
Development & Building Control	548.2	54.2	602.4	678.9	76.5	A
Economic Development, Planning & Transport	2,155.8	14.5	2,170.3	2,249.6	79.3	A
Revenues & Benefits	326.8	23.5	350.3	212.8	(137.5)	F
Countryside, Tourism & Heritage	631.2	103.7	734.9	776.7	41.8	A
Environmental Health & Community Protection	1,179.8	76.1	1,255.9	1,255.0	(0.9)	F
Housing & Welfare	1,065.4	0.1	1,065.5	1,222.6	157.1	A
Sport, Art & Leisure	1,286.4	139.2	1,425.6	1,416.4	(9.2)	F
Engineering & Property	111.6	55.7	167.3	307.1	139.8	A
Streetscene	1,717.0	101.4	1,818.4	1,824.0	5.6	A
Waste & Recycling	3,116.1	52.1	3,168.2	3,426.6	258.4	A
Area East	668.3	176.2	844.5	762.6	(81.9)	F
Area North	362.0	30.6	392.6	361.1	(31.5)	F
Area South	484.4	(3.2)	481.2	478.4	(2.8)	F
Area West	480.7	63.3	544.0	518.0	(26.0)	F
SSDC Services	19,690.4	(155.7)	19,534.7	19,276.4	(258.3)	F
LSP	44.5	155.4	199.9	143.3	(56.6)	F
Total All Spend	19,734.9	(0.3)	19,734.6	19,419.7	(314.9)	F

(Note that all figures in brackets are underspends).

- 4.1.3 The comparative position over the last two years was 0.9% overspent in 2008/09 and 0.6% underspent 2007/08. (This is after taking out the figures for Treasury Management and the Local Strategic Partnership to ease comparison).

4.2 Carry Forwards

- 4.2.1 The District Executive was asked to approve £288,150 of specific carry forwards to 2009/10. This includes £56,600 for the LSP and £231,550 for SSDC services.

4.3 Revenue Balances and Reserves

- 4.3.1 Unallocated general fund balances totalled £2,135,000 at the end of the 2008/09 financial year. Regular reviews of balances were carried out during 2008/09 and the required levels were met throughout the year. The review carried out in May 2009 has set a level of £2,069,000 for the 2009/10 year, an increase due to the risks of the economic downturn on the Medium Term Financial Plan, the raised risks within the banking sector, and possible greater litigation risks but as members can see the levels of balances are still sufficient for the new financial year.
- 4.3.2 Specific Reserves totalled £4,372,000 at the end of the financial year. These reserves are actual cash sums set-aside for specific purposes.

4.4 Capital Outturn Report

- 4.4.1 The capital programme spend for 2008/09 was £6,052,000, which equates to a 20% underspend. This compares to a 19.4% underspend in 2007/08.
- 4.4.2 There were four capital over/underspends that were greater than acceptable limits (these are either £10,000 or 5% whichever is the greater of budget). All completed capital schemes are shown in the table below with explanations for those outside of acceptable limits:

Project	Over/ Under £'000	Within acceptable limits?	Explanation	Project Manager	Project Sponsor
Replacement of Firewall Servers	(17)	N	More work carried out in-house rather than using consultants	R Brown	G Russ
Enhancement of Revs & Benefit System	(13)	N	Migration of data carried out in-house rather than use Northgate	G Russ	R Singh
Installation of Cash Machines	(8)	Y	Not required	A Card	D Parham
EDM Server	(6)	Y	Not required	G Russ	R Singh
Goldenstones 10 Year Plan	(3)	Y	Not required	S Joel	D Stapleton
Streetscene BVPI 199	(3)	Y	Not required	C Cooper	V Sturgess
Abbey Manor Open Space	(2)	Y	Not required	C Cooper	V Sturgess
Canteen Refurbishment	(1)	Y	Not required	G Russ	R Singh

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Project	Over/ Under £'000	Within acceptable limits?	Explanation	Project Manager	Project Sponsor
New Housing IT & CBL Systems	28	N	Overspend attributable to staffing of project	K Close	C McDonald
Museum Facility at Lufton	17	N	Staff time from early stages of projects not permitted to be claimed as part of grant	D Hill	D Julian
Enhancement to CAPS Uniform System	3	Y	A late cancellation fee for original date of upgrade	B Soord	G Russ

5. Loans

- 5.1 SSDC has a loans policy where loans may be given at PWLB (Public Works Loans Board) rates to local voluntary and charitable organisations. The maximum outstanding sum of those loans must not exceed £1,000,000 at any time. At the end of 2008/09 the amount of loans outstanding under this policy was £514,133.

6. Statement of Accounts

- 6.1 The District Auditor will review the annual Statement of Accounts and supporting working papers and will issue his opinion as to whether they present fairly the financial position of South Somerset District Council at 31 March 2009 and its income and expenditure for the year then ended.
- 6.2 A copy of the draft Statement of Accounts has been circulated separately with this agenda. In addition to this, a summary of the statements will be prepared in leaflet format to make them more accessible to the end user.

7. Key Features from the Statement of Accounts

- 7.1 The Statement of Accounts contains five core statements reflecting the financial position of SSDC as at 31st March 2009. These are;
- Income and Expenditure Account;
 - Statement of Movement in the General Fund Balance;
 - Statement of Total Recognised Gains and Losses;
 - Balance Sheet;
 - Cash Flow Statement.
- 7.2 There are additional statements relating to the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates) and the Group Accounts (which SSDC is required to produce in respect of the joint venture, Lufton 2000, with Abbey Manor Developments).
- 7.3 The format of the core financial statements is unchanged from 2006/07 when it changed significantly in line with the 2006 SORP (Statement of Recommended Practice). The 2007 SORP introduced some technical changes relating to the accounting treatment of financial instruments and the revaluation reserve but the overall effect of these changes was not significant.
- 7.4 The 2008 SORP introduces further technical changes:-

- 7.4.1 There have been changes to FRS 17 (Financial Reporting Standards - relating to pensions) reporting requirements. The most significant change is the way that pension fund assets are to be valued. Previously, assets were valued on “mid-market” basis, but now assets are to be valued on a current bid value. For comparatives, the net liabilities have been re-based. This has resulted in re-stating figures for the 2007/08 core financial statement. There has also been a change in the disclosure requirement under FRS 17.
- 7.4.2 In order to prepare for IFRS’s (International Financial Reporting Standards), SSDC has reviewed the way it accounts for leases. As a result, we have identified some leases which were originally accounted for as operating leases but under SSAP 21 (Statements of Standard Accounting Practices) should have been accounted for as finance leases, as substantially all the risks and rewards relating to the leased assets have been transferred to the Council. In order to account correctly for these finance leases we have had to split the lease payments between interest paid and principal repaid.
- 7.4.3 SSDC received a discount for the early settlement of a PWLB (Public Works Loans Board) loan. In accordance with SORP 2008 the discount had to be amortised over the shortest of 10 years or the length of the loan. Our loans were due to mature in 46.5 and 50 years respectively, therefore the discount is due to be amortised over 10 years.
- 7.4.4 Revaluation of fixed assets at the point of disposal is no longer permitted. Assets should be revalued when the asset is declared surplus.
- 7.4.5 Deferred charges have effectively been replaced with a new category of expenditure – Revenue Expenditure Funded from Capital under Statute.
- 7.5 The core financial statements are supported by notes that give the reader additional details about specific figures within the statements.
- 7.6 Significant year on year variations within the core financial statements, and the reasons for them, are outlined in the following paragraphs.

8. Income and Expenditure Account

- 8.1 This account gives detailed information about the total expenditure on the services we provide. It also shows the council tax and government grants received to help pay for those services. The net operating expenditure figure is reconciled to the outturn spend position outlined to District Executive in the following way:

	£'000
Total Spend Reported to the District Executive (as Paragraph 4.1.2)	19,420
Adjustments:	
Parish Precepts & Levies	3,255
Items subsequently reversed in the Statement of Movement in General Fund balances (page 23 of the financial statements)	5,352
LABGI & Area Based grants (included in Central Government Grants)	434
Net Operating Expenditure (taken from the Income and Expenditure Account, page 22 of the financial statements)	28,461

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8.2 The major year on year variations (over £1 million) and explanations for those variances are outlined below:

Services	Previous Year 2007/08 £'000	Current Year 2008/09 £'000	Variance £'000	Reason for Variance
Cultural, Environmental and Planning Services	15,469	16,549	1,080	Capital charges in 2007/08 were £0.7m lower due to the early release of a government grant for Waste Service assets. Internal service charges for Area Offices and Public Offices were £0.3m higher.
Disposal of fixed assets	2,026	(12)	(2,038)	In 2007/08 assets were transferred to the Waste Partnership.
Easements	0	(2,135)	(2,135)	Part payment has been made for an easement at Lyde Road.
Pension interest costs and expected return on pension assets	654 (restated)	1,812	1,089	The expected return on assets in the pension scheme reduced by £0.6 million. This has been affected by the valuation techniques now adopted by the actuary complying with FRS 17. The interest cost increased by over £0.5 million.

Note that figures in brackets show underspends compared to the previous year spend.

9. The Balance Sheet

9.1 The Balance Sheet provides the Council with a snapshot of our financial position overall as at the 31st March 2009. The major variations (over £1 million) and the reason for those variations are shown below:

Balance Sheet Heading	Previous Year 2007/08 £'000	Current Year 2008/09 £'000	Variance £'000	Reason for Variance
NET ASSETS				
Total Fixed Assets	45,843	51,041	5,199	Increases due to revaluation of land and buildings £3.6 million, and refurbishment of the innovation centre £1.8 million.
Current Assets - Debtors	7,672	6,572	(1,100)	Increase in DWP (Department for Works and Pensions) subsidy and higher payments for deposits and rent in advance £0.5m. Payment received for business rates (£0.6m), accounting for car park VAT refund (£0.5m) and reduction in Yarlinton Homes debtors (£0.5m).
Current Assets - Investments	24,513	21,572	(2,941)	Due to the economic downturn, more bonds were purchased for security, which reduce the balance with banking sector

Balance Sheet Heading	Previous Year 2007/08 £'000	Current Year 2008/09 £'000	Variance £'000	Reason for Variance
Current Liabilities - Creditors	(6,177)	(8,616)	(2,439)	£1.7m business rates receipt in advance from Ministry of Defence this year and grants from central government increased by £0.7m
Bank overdraft	(499)	1,098	1,597	£1.7m business rates received from Ministry of Defence.
Long term borrowing	(2,000)	0	2,000	Loans were made in advance of need for the capital programme but were repaid mainly due to delays in the Sports Zone project. SSDC is currently debt free.
Liability related to defined benefit pension scheme	(26,013) (restated)	(36,343)	(10,330)	The actuarial loss increased by nearly £7.7m and the contribution from the General fund increased by £2.7m.

Note that figures in brackets in the first two columns are liabilities to the Council, and in the final column brackets represent a reduction in assets or an increase in liabilities.

NET WORTH				
Revaluation Reserve	2,608	7,103	4,495	The revaluation reserve was new in 2007/08. The increase is attributable to revaluation gains of £4.8 m but a downward revaluation of £0.4 m.
Capital Adjustment Account	28,286	32,970	4,684	More Usable Capital Receipts were applied to finance capital expenditure (£10.5 million) and the release of government grants £0.2m, both increasing the Capital Adjustment Account. There were less charges for consumption of historic cost over the life of the assets and deferred charges of £6.0 m which reduced the Capital Adjustment Account.
Useable Capital Receipts	41,951	34,030	(7,921)	Receipts are reducing as funding is released to fund the capital programme. In addition to this a bond has been funded through capital receipts £5m but will be repaid on maturity.
Pensions Reserve	(26,013) (restated)	(36,343)	10,330	The actuarial loss increased by nearly £7.7m and the contribution from the General fund increased by £2.7m.

Note that figures in brackets in the final column represent a reduction in reserves.

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9.2 In addition, Members will note the Contingent liabilities disclosed in **note 38**. Contingent liabilities are possible future obligations, they are not accounted for within the balance sheet as the obligation will only be confirmed if uncertain events happen in the future. Any claims would need to be funded from SSDC balances.

10. Cash Flow Statement

10.1 This statement outlines all of the cash transactions that have taken place in the year. The major variations are shown below:

Heading	Previous Year 2007/08 £'000	Current Year 2008/09 £'000	Variance £'000	Reason for Variance
Revenue Cash Outflows	171,441	179,557	8,117	Increase in Housing Benefits paid £2.5m, Precepts paid £3.8m, inflationary increase £2.1m.
Revenue Cash Inflows	(164,846)	(178,288)	(13,442)	Increase in Council Tax receipts £3.3m and business rates receipts £6.0m and government grants £4.0m.
Net Cash Inflow from Servicing of Finance	(2,574)	(3,128)	(554)	Higher interest receivable £0.4m and lower interest payable £0.2m.
Net Cash Outflow from Capital Activities	3,015	10,336	7,321	Net increase in purchase of fixed assets £3.8m and long term investments £7.0m. Additional Capital Grants received (£1.6m) and other capital cash receipts (£1.9m)
Net decrease in Short Term Investments	(6,294)	(12,090)	(5,796)	Realisation of short term investments to finance net cash outflow
New loans raised	0	2,000	2,000	PWLB loan repayment

Note that figures in brackets in the first two columns represent cash inflow, and in the last column represent an increase in cash inflow or a reduction in cash outflow.

11. Collection Fund

11.1 The Collection Fund shows the total SSDC has collected on behalf of all of the precepting authorities (e.g. Somerset County Council, Avon & Somerset Police Authority, Devon & Somerset Fire & Rescue Authority and town/parish councils). It also shows the amounts distributed to those authorities. The major variations are shown on the next page:

Heading	Previous Year 2007/08 £'000	Current Year 2008/09 £'000	Variance £'000	Reason for Variance
Income from Council Taxpayers	(72,377)	(75,964)	(3,587)	Council tax increased by an average 4.14% per band D property. In addition to this the tax base (the number of households) increased by 1.4%.
Income collectable from Business Rate payers	(32,286)	(34,325)	(2,039)	Business rates payable increased by 1.8% plus some industrial buildings became liable for empty property rates.

Note that figures in brackets in the first two columns represent income, and in the last column represent an increase in income or a reduction in expenditure.

12. Financial Implications

12.1 There are no financial implications associated with these recommendations.

Background Papers: *Revenue outturn 2008/09*
Capital outturn 2008/09