

## **8. 2009/10 Annual Statement of Accounts**

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### **1. Purpose of the Report**

To present the 2009/10 Annual Statement of Accounts to the Audit Committee for approval.

### **2. Recommendation**

To approve the 2009/10 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 30<sup>th</sup> June 2010. 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 2009/10 revenue outturn position;
  - Summarises the 2009/10 capital outturn position;
  - Presents the 2009/10 Statement of Accounts and explains the key features and reasons for variations within those accounts.

### **4. Key Features of the 2009/10 Outturn Reports**

#### **4.1 Revenue Outturn**

- 4.1.1 The figures that were presented to District Executive on 3<sup>rd</sup> June 2010 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.

4.1.2 The overall outturn for SSDC Services, excluding the LSP, in 2009/10 was £628,900 under spent. Outlined below is the summary of the figures presented to the District Executive on 3rd June 2010;

<b>Service</b>	<b>Original Budget</b>	<b>Movement During the Year</b>	<b>Outturn Budget</b>	<b>Actual Spend</b>	<b>Variation</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Strategic Management	1,024.4	(145.7)	878.7	717.8	(160.9)	F
Financial Services	(670.4)	418.2	(252.2)	(596.8)	(344.6)	F
ICT Services	1,357.8	(250.6)	1,107.2	990.5	(116.7)	F
Procurement & Risk Management	212.9	22.4	235.3	196.9	(38.4)	F
Revenue & Benefits	21.4	(6.8)	14.6	(246.1)	(260.7)	F
Democratic Services	1,096.6	5.0	1,101.6	1,026.0	(75.6)	F
Legal Services	288.7	(1.7)	287.0	337.8	50.8	A
Fraud & Data Management	98.8	(0.9)	97.9	95.8	(2.1)	F
Human Resources	424.8	4.2	429.0	389.1	(39.9)	F
Place & Performance	345.3	108.3	453.6	403.6	(50.0)	F
Economic Development	619.7	(49.9)	569.8	576.1	6.3	A
Development Control	681.2	(1.1)	680.1	854.5	174.4	A
Spatial Policy	2,269.8	329.9	2,599.7	2,471.6	(128.1)	F
Community AD & Cohesion	0.0	89.8	89.8	89.4	(0.4)	F
Third Sector & Partnerships	352.0	(16.1)	335.9	331.7	(4.2)	F
Area East	446.1	127.2	573.3	502.3	(71.0)	F
Area North	364.2	14.9	379.1	321.2	(57.9)	F
Area South	455.0	(73.5)	381.5	361.7	(19.8)	F
Area West	505.1	(21.4)	483.7	481.8	(1.9)	F
Operations & Customer Focus	572.4	46.3	618.7	565.1	(53.6)	F
Environmental Health	1,183.6	(33.2)	1,150.4	1,092.6	(57.8)	F
Civil Contingencies	85.5	59.9	145.4	147.1	1.7	A
Engineering & Property Services	380.7	(131.9)	248.8	464.3	215.5	A
Building Control	(47.7)	(62.8)	(110.5)	(25.4)	85.1	A
Streetscene	1,836.6	(14.5)	1,822.1	1,850.8	28.7	A
Waste & Recycling	3,425.6	(98.2)	3,327.4	3,588.1	260.7	A
Licensing	6.1	(5.4)	0.7	(21.4)	(22.1)	F
Arts & Entertainment	326.9	(386.6)	(59.7)	7.4	67.1	A
Sport & Leisure Facilities	343.2	(144.2)	199.0	149.5	(49.5)	F
Community Health & Leisure	756.8	38.7	795.5	787.7	(7.8)	F

Service	Original Budget £'000	Movement During the Year £'000	Outturn Budget £'000	Actual Spend £'000	Variation £'000	
Housing & Welfare	789.8	(3.8)	786.0	754.1	(31.9)	F
Countryside	286.7	6.6	293.3	369.0	75.7	A
<b>SSDC Services</b>	<b>19,839.6</b>	<b>(176.9)</b>	<b>19,662.7</b>	<b>19,033.8</b>	<b>(628.9)</b>	<b>F</b>
LSP	45.4	56.6	102.0	55.6	(46.4)	F
<b>All Spend</b>	<b>19,885.0</b>	<b>(120.3)</b>	<b>19,764.7</b>	<b>19,089.4</b>	<b>(675.3)</b>	<b>F</b>

(Note that all figures in brackets are underspends).

4.1.3 The comparative position over the last two years was 1.0% underspent in 2009/10 and 0.9% overspent 2008/09. (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 defer the approval of £363,270 (including £46,440 for the LSP and £316,830 for SSDC Services) of specific carry forwards to 2009/10. This will enable SSDC to assess any impact of the new government's emergency budget on this year.

## 4.3 Revenue Balances and Reserves

4.3.1 Unallocated general fund balances totalled £2,892,000 at the end of the 2009/10 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 2010 has set a level of £2,194,000 for the 2010/11 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 £3,608,000 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 2009/10 was £4,343,000, which equates to a 28.7% underspend. This compares to a 20% underspend in 2008/09.

4.4.2 There was one capital over/ underspend that was 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:

<b>Project</b>	<b>Under Spend £'000</b>	<b>Within acceptable limits?</b>	<b>Explanation</b>	<b>Project Manager</b>	<b>Project Sponsor</b>
Old Town Station – Completion Works	36	N	Budget not required and deposit to be returned to developer	G Green	L Willis
Hand Held Fixed Penalty Machines & Software	4	Y	Not required	G Green	L Willis
Yew Tree Park Fencing	1	Y	Not required	C Cooper	L Willis

## **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 2009/10 the amount of loans outstanding under this policy was £481,526.

## **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 2010 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 31<sup>st</sup> March 2010. 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 2008/09 (Statement of Recommended Practice). The 2008 SORP (Statement of Recommended Practice) introduced some technical changes relating to the accounting treatment for the way that pension funds assets are valued but the overall effect of these changes was not significant.

7.4 The 2009 SORP introduces further technical changes:-

7.4.1 The collection of National Non-Domestic Rates (NNDR) is carried out by the authority as an agent activity on behalf of Central Government. As such, debtor and creditor balances with NNDR taxpayers are not assets or liabilities of the Council. These are netted off any amounts due to or from the Government in order to give a net debit or credit balance. It is this amount that appears on the balance sheet as a debtor or creditor balance as appropriate.

7.4.2 The collection of Council Tax is carried out on behalf of all the major preceptors (Somerset County Council, Avon & Somerset Police Authority and Devon & Somerset Fire & Rescue Authority) by the authority as an agent activity.

- As such, debtor and creditor balances with council taxpayers belong proportionately to South Somerset District Council and the major preceptors.
- The Council Tax income included in the Income & Expenditure Account for the year shall be the accrued income for the year. This is calculated by taking the demand on the Collection Fund plus the authority's share of the carry forward surplus/deficit on the Collection Fund as at the 31st March 2010. This amount is then adjusted for the authority's share of the surplus/deficit at 31st March 2009 that has not been distributed or recovered in the current year.

7.4.3 As a result of these technical changes, the 2008/09 statements have been restated in order to comply with the 2009 SORP.

7.5 Several disclosure notes have been removed from 2009 SORP Disclosures:

- Section 137 expenditure
- Publicity Expenditure
- The Building Control Account
- Income under the Local Authorities Goods and Services Act

7.6 However, one disclosure note now requires further information to be disclosed. This is the reporting of Senior Officer Remuneration. The new requirements have been introduced to provide greater transparency and accountability to local taxpayers in respect of the total remuneration package for the senior team charged with the stewardship of the organisation.

7.6.1 The statement of accounts must be accompanied by a note of the number of employees whose total remuneration (excluding employer's pension contributions) fell in each bracket of a scale in multiples of £5,000 starting with £50,000 (rather than the scale in multiples of £10,000 in previous years).

7.6.2 The amended Regulations introduce a new requirement to disclose individual remuneration details for senior employees. For senior employees whose salary is £50,000 (England) or more per year but less than £150,000 they are required to be listed individually by way of job title. Employees whose salary is £150,000 or more per year must also be identified by name. Disclosure will be made for each financial year under the following categories:

- salary, fees and allowances;
- bonuses;
- expenses allowance;

- compensation for loss of employment;
- employers pension contribution and;
- any other emoluments.

## 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:

	<b>£'000</b>
<b>Total Spend Reported to the District Executive (as Paragraph 8)</b>	<b>19,089</b>
Adjustments:	
Minimum Revenue Provision	(35)
Parish Precepts & Levies	3,457
Items subsequently reversed in the Statement of Movement in General Fund balances (page 23 of the financial statements)	5,642
LABGI & Area Based grants (included in Central Government Grants)	457
<b>Net Operating Expenditure (taken from the Income and Expenditure Account, page 25 of the financial statements)</b>	<b>28,610</b>

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

<b>Services</b>	<b>Previous Year 2008/09 £'000</b>	<b>Current Year 2009/10 £'000</b>	<b>Variance £'000</b>	<b>Reason for Variance</b>
Cultural, Environmental and Planning Services	16,546	18,158	1,612	There was an increase in capital financing charges with £1.2 million increase in deferred charges, mainly due to the Reckleford Project. There were also impairment charges for Innovation Centre (£0.7m) and ACI Boden Mill (£0.1m).
Housing Services	4,388	2,964	(1,424)	There was an increase in Housing Benefit Payments

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 31<sup>st</sup> March 2010. The major variations (over £1 million) and the reason for those variations are shown below:

<b>Balance Sheet Heading</b>	<b>Previous Year 2008/09 £'000</b>	<b>Current Year 2009/10 £'000</b>	<b>Variance £'000</b>	<b>Reason for Variance</b>
<b>NET ASSETS</b>				
Long Term Investments	18,082	15,063	(3,019)	Callable deposits (£2 million) were recalled and the term deposit (£2 million) matured.
Current Assets - Debtors	4,657	6,225	1,558	The main difference is due to the amounts due or owed to the government at the end of the year. Last year we owed the Government money regarding Business Rates and this year the Government owes us money. The Collection Fund debtors that belong to SSDC in 2008/09 were £296k (restated) compared to £354k in 2009/10. In 2009/10, an adjustment was required for the amount owed by preceptors to SSDC of £500k. However, in 2008/09 this balance was a creditor balance of £45k owed by SSDC.
Current Assets - Investments	21,572	24,050	2,478	Following the Credit crunch & downfall of some banking institutions, our advisors recommended to use certain large UK base banks and to keep the money for short term; i.e. less than a year. A £2 million bond is due to mature in March 2011 – now making them a current asset investment.
Liability related to defined benefit pension scheme	(36,343)	(65,726)	(29,383)	The present value of liabilities in the pension scheme increased by £44 million and the fair value of assets in the scheme increased by £15 million resulting in a net increase in liability of £29 million.

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.

<b>NET WORTH</b>				
Pension Reserve	(36,343)	(65,726)	(29,383)	The present value of liabilities in scheme increased by £44 million and the fair value of assets in scheme increased by £15 million resulting in a net increase in liability of £29 million.

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

- 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:

<b>Heading</b>	<b>Previous Year 2008/09 £'000</b>	<b>Current Year 2009/10 £'000</b>	<b>Variance £'000</b>	<b>Reason for Variance</b>
Revenue Cash Outflows	72,867 (restated)	79,175	6,308	Increase in Housing Benefits paid £5.8 million.
Revenue Cash Inflows	(76,737) (restated)	(85,304)	(8,567)	Increase in DWP (Department of Works and Pensions) grants for benefits received of £10.6 million and a decrease in cash received for other government grants of £3.2 million
Net Cash Outflow from Capital Activities	10,255	(781)	(11,036)	Capital Outflows significantly reduced. Purchase of fixed assets fell by £2.9 million, purchase of long term investments reduced by £5.8 million. Cash inflows increased by £1.6 million due to maturity of the eurobonds and long term deposits.
Management of Liquid Resources	(6,950)	11,348	18,298	£2.6 million due to creditor balance to Central Government for NNDR in 08/09 (£1.3m) and debtor balance in 09/10 (£1.3m). £12million due to decrease in short term investments and £3.3 million due to increase in precepts demands.
Financing Cash Outflows	2,080	36	(2,044)	PWLB loan repayment made in 2008/09

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 below:



<b>Heading</b>	<b>Previous Year 2008/09 £'000</b>	<b>Current Year 2009/10 £'000</b>	<b>Variance £'000</b>	<b>Reason for Variance</b>
Income from Council Taxpayers	(75,964)	(78,049)	(2,085)	Council tax increased by an average 3.21% per band D property. In addition to this the tax base (the number or households) increased by 0.4%.
Council Tax Benefits	(8,641)	(9,785)	(1,144)	As council tax increases so does council tax benefits.
Income collectable from Business Rate payers	(34,325)	(35,352)	(1,027)	Business rates payable increased by 2% plus some industrial buildings became liable for empty property rates.
Precepts and Demands – Somerset County Council	59,522	61,435	1,913	Somerset County Council's increase was 3.2%.

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 2009/10*  
*Capital outturn 2009/10*