

PART 1 - PUBLIC

Decision Maker: **General Purposes & Licensing Committee**

Date: **30th June 2010**

Decision Type: Non-Urgent Non-Executive Key

Title: **DRAFT STATUTORY ACCOUNTS 2009/10**

Contact Officer: Tracey Pearson, Head of Co-ordination and Control (Finance)
Tel: 020 8313 4323 E-mail: tracey.pearson@bromley.gov.uk

Chief Officer: Director of Resources

Ward: N/A

1. Reason for report

1.1 This report sets out the Council's 2009/10 draft statutory accounts for approval by Members in accordance with the requirements of the Accounts and Audit Regulations 2003.

2. RECOMMENDATION(S)

2.1 Members are asked to approve the Council's draft statutory accounts for 2009/10.

2.2 In accordance with the requirements of the Accounts and Audit Regulations 2003, following approval (2.1 above) the person presiding at this meeting shall sign and date the draft statutory statements on page 1 as a formal record of Members approval.

Corporate Policy

1. Policy Status: Existing policy.
 2. BBB Priority: Excellent Council.
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Financial

1. Cost of proposal: N/A
 2. Ongoing costs: N/A.
 3. Budget head/performance centre: Council Wide
 4. Total current budget for this head: £130m (excluding GLA precept)
 5. Source of funding: N/A
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Staff

1. Number of staff (current and additional): Total employees – full time equivalent posts – 7,094 (per 2009/10 Budget), which includes 4,444 for delegated budgets to schools.
 2. If from existing staff resources, number of staff hours:
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Legal

1. Legal Requirement: Statutory requirement. The Accounts and Audit Regulations 2003 require the accounts to be approved by a resolution of a Committee or full Council as soon as is reasonably practicable, and at least by 30th June 2010. The Statement of Accounts should be signed and dated by the Member presiding at the meeting at which approval is given.
 2. Call-in: Call-in is applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2009/10 final accounts reflect the financial impact of the Council's strategies, service plans etc. which impact on all of the Council's customers (including council tax payers) and users of the services.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 The Accounts and Audit Regulations require the Accounts to be approved by a resolution of a Committee or full Council. The statutory accounts must be approved by Members, signed and dated by the person presiding at the meeting at which that approval was given.
- 3.2 The Regulations also placed a requirement on local authorities to bring forward the latest date for completion and approval of their accounts from September to June over a three year period from 2004 - 2006. In approving the accounts at this meeting, Bromley will have met the earlier June deadline for the sixth year running.
- 3.3 The Council has very little discretion over the format of its Accounts, as they must be presented in the form laid down in the *Code of Practice on Local Authority Accounting in the United Kingdom 2009*. This is a Statement of Recommended Practice (SORP), published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and endorsed by the Accounting Standards Board.
- 3.4 Since the approval of the 2004/05 Accounts, in line with emerging best practice, the Director of Resources developed a summary version of the accounts which was published alongside the full statement. This shorter leaflet is designed to present the information in the accounts in a more user friendly, accessible manner in order to promote accountability. A similar document will be published in relation to the 2009/10 Accounts following audit. The Council must publish its audited 2009/10 Accounts by 30th September 2010.
- 3.5 The Council's Accounts and related records will be made available for public inspection. This is a requirement of the regulations and must take place prior to the completion of the audit. Arrangements are in hand for this inspection, which will take place between 9th August and 6th September 2010 and be publicised in the local press in accordance with the relevant legislation.
- 3.6 The Explanatory Foreword that introduces the Accounts provides a brief overview of the whole statement. It is also worth noting that there have been some further changes to the form of the accounts in line with the 2009 SORP. The changes have been made to bring local authority accounts more in line with the principles of *UK Generally Accepted Accounting Principles* (UK GAAP). These principles apply to most organisations required to produce a formal statement of accounts. The SORP allows authorities to produce accounts based on UK GAAP while at the same time recognising the particular position of local government where legislative requirements override accounting principles in some areas.
- 3.7 The main changes to the 2009/10 accounts compared with previous years relate to:
- Accounting for Council Tax to reflect the relationship between the London Borough of Bromley (the billing authority) and the Greater London Authority (GLA), being the major preceptor. The 2009 SORP contains detailed requirements for accounting for Council Tax which includes a requirement to reflect appropriate shares of Council Tax debtors and creditors in the billing authority's and major preceptor's balance sheets. This is a change to the existing practice of including all council tax debtors and creditors in the billing authority's balance sheet to reflect that the Authority acts as an agent on behalf of the GLA.
 - New accounting requirements for the treatment of National Non-Domestic Rates to reflect the role of billing authorities acting as agents on behalf of the Government in the collection of NNDR income. The change requires that authorities no longer recognise NNDR debtors and creditors on their balance sheets but instead recognise a creditor or debtor for the difference between the cash collected and payments made to the Government.

- The accounting requirements for Private Finance Initiative and similar contracts are no longer based on UK accounting standards but on International Financial Reporting Standards (IFRS). Following a detailed review of existing contracts, no change to current accounting practice has been identified arising from this change.
- Substantial changes to the disclosure requirements for Officers Remuneration to comply with amendments to the Accounts and Audit Regulations 2003. The amendments require the number of employees whose remuneration is above £50,000 to be disclosed in bandings of £5,000 (previously reported in bandings of £10,000). The amended regulations also introduce a new requirement to disclose individual remuneration details for senior employees. A senior employee is defined as an employee whose salary is more than £150,000 per year, or one whose salary is more than £50,000 per year and is the designated head of service, a chief officer or any person having responsibility for the management of the authority to the extent that they have the power to direct or control the major activities of the authority.
- Four disclosure notes have been removed concerning Section 137 expenditure, the Building Control Account, expenditure on Publicity and income under the Local Authorities Goods and Services Act as none of these disclosures are required by accounting standards or legislation.
- For the first time in 2009/10, in England, the responsible financial officer is required by regulation 10(2) of the Accounts and Audit Regulations to certify that the accounts present a true and fair view. This is a change from previous years where the accounts were certified to 'present fairly' the financial position of the Authority.

3.8 From 2010/11, local authority accounts will be prepared under a revised Code of Practice on Local Authority Accounting that will be based on International Financial Reporting Standards (IFRS). This is part of a wider public sector move to international standards. The Council will need to review accounting policies, change the format and content of the Statement of Accounts and include a number of additional disclosure notes. The IFRS transition date (the date at which figures first have to be prepared under IFRS) is 1st April 2009. This means that in the 2010/11 Statement of Accounts, authorities will be required to re-state the 2009/10 figures and prepare an IFRS compliant balance sheet, effectively re-stating the opening balance sheet at 1st April 2009.

The sections that follow provide a brief commentary on the main points to note in the Accounts

4 Income and Expenditure Account

- 4.1 The Income and Expenditure Account provides a summary of the resources generated and consumed by the Authority in providing services during the year. It is intended to show the annual activity of the Council in line with general accounting practice before allowing for the requirements of statute that certain costs should or should not fall on council tax - this account reveals a surplus for the year of £10.3m.
- 4.2 However, the surplus reflected on the Income and Expenditure Account for the year is offset by the movement shown in the Statement of Movement on the General Fund Balance, as detailed within note 21 of the accounts. These two statements should be considered together and the overall position is summarised on page 20 of the accounts. The result is an overall increase in balances of £10.3m, including reserves held by schools, with an increase to the Council's general fund balance of £5.0m.

- 4.3 The overall outturn position for 2009/10 was reported to the Executive on 16th June 2010, with more detailed information being reported to individual Portfolio Holders for their respective service areas. Some key cost variations, compared with the 2009/10 Budget, have been reflected in the 2010/11 Budget which was approved by the Executive in February 2010 and the 2010/11 Financial Monitoring report to Executive in July 2010 will include the impact of the 2009/10 final outturn.
- 4.4 The report to the Executive identified the overall variations in the revenue budget reflected in the 2009/10 final accounts which are summarised below:

	2009/10 Final Approved Budget	2009/10 Provisional Outturn	Variation	Variation Previously Reported
	£'000	£'000	£'000	£'000
Underlying service overspend for the year (excluding carry forward requests)	207,220	207,469	+249	+157
Unspent budget provision relating to carry forward requests (underspends)	-	-974	-974	0
Income from Interest on Balances (plus revisions for provision for potential loss of monies re. Heritable Bank)	-4,423	-4,931	-508	-750
Prior year adjustments (income from street services inspection)	-	-415	-415	-419
Other net variations	3,554	2,796	-758	-362
Sub total before VAT settlement	206,351	203,945	-2,406	-1,374
VAT settlement relating to claims from 1973	-	-3,196	-3,196	-
Net underspend	206,351	200,749	- 5,602	-1,374

- 4.5 Excluding carry forwards from 2008/09 there is an overall net improvement in balances of £5.6m which represents a variation of 2.7% compared with the final approved budget of £206.4 million. This consists of net underspends of £0.7m on services (including carry forwards), net additional interest earnings (income) on General Fund balances of £0.5m, a prior year adjustment relating to street services of £0.4m, recovery of VAT claims of £3.2m and other net variations of cr. £0.8m. The overall net improvement in balances of £5.6m is partly offset by a sum of £0.6m for carry forwards funded from unspent budget provision in 2008/09. Full details are provided in the report to the Executive.
- 4.6 Details of variations relating to the 2009/10 capital programme outturn were also reported to the Executive in June 2010 and there was no need to use General Fund balances to support the capital programme in 2009/10.

5. Statement of Total Recognised Gains and Losses (STRGL)

5.1 This statement brings together all the gains and losses of the Council with those relating to the Income and Expenditure Account to explain the net movement on the balance sheet. Overall net worth decreased by £75.6m in 2009/10, which was mainly due to the increased Pension Fund net liability of £99.4m which has a significant negative effect on the net worth of the Council as recorded in the balance sheet. This was partly offset by an increase in General Fund Balances of £10.3m (including school balances) and a net increase on the fixed asset Revaluation Reserve of £11.3m, which comprised upward revaluations totalling £16.2m, downward revaluations (impairments) of £2.6m and asset disposals of £2.3m.

6. Balance Sheet

6.1 The Balance Sheet provides a snapshot of the Council's financial position, its assets and liabilities, at 31st March 2010. Compared to the position in 2009, fixed assets increased by £11.9m as a result of net revaluations (£11.7m), additions (£12.3m), disposals (cr £2.6m) and depreciation (cr £9.5m). The council's assets are valued on different bases depending on the type of asset as described in accounting policy 12.

6.2 Capital expenditure of £42.5m was incurred in 2009/10 financed mainly by government grants and capital receipts without recourse to general reserves. The Council generated new capital receipts of £3.0m in 2009/10. The Usable Capital Receipts Reserve stood at £13.2m at 31st March 2010 and is available to support the Capital Programme in 2010/11 and in later years.

Other significant changes in the balance sheet include:

- an increase in debtors/payments in advance of £3.8m mainly relating to income due from HM Revenue and Customs of £3.2m relating to VAT claims for different periods between April 1973 and May 1996;
- an increase in creditors/receipts in advance of £9.1m mainly due to an increase in capital grants and contributions received but not used to finance expenditure in 2009/10 (£8.2m). This funding will be available to finance capital expenditure in 2010/11 and later years.
- a net increase in cash in hand of £4.0m mainly as a result of an increase in balances held by schools. Schools balances are consolidated into the Council's accounts and included within the General Fund Balance (page 20 of the accounts). The main reason for this increase relates to secondary schools' capital balances which have increased as a result of the approved secondary capital investment strategy where the agreed capital schemes are in progress. Schools have been allocated funding where a scheme specification is in place and planning permission gained. The main source of funding is the targeted 14-19 and SEN and disabilities grant. This grant, together with schools' devolved capital grant, was accelerated from the two year period 2009/10-2010/11 into 2009/10.

6.3 In relation to the Council's Pension Fund, proper accounting practice requires that the actuarially calculated fund deficit, in relation to Bromley's employees/pensioners, is disclosed on the face of the Council's Balance Sheet. The net liability of £240m represents the difference between the bid value of assets and the value of liabilities based on a valuation carried out by the Actuary in accordance with the requirements of Financial Reporting Standard 17: Retirement Benefits (FRS17).

6.4 This is different from the Actuary's triennial valuation that determines the contribution rate to the Pension Fund. Although the liability has a significant negative effect on the net worth of the authority, the contribution payments agreed as a result of the triennial valuation include arrangements to restore the funding level over the next 12 year period.

7. Cash Flow Statement

7.1 The cash flow statement summarises all the cash flows from the Council's activities, split between revenue and capital, and shows the financing of the net position.

8. Notes to the Main Statements

8.1 The notes to the Accounts are grouped together at the end of the main statements rather than following each statement individually. The following notes will be updated in light of further information prior to publication following audit. None of these changes will be material to the overall statement.

8.2 A **Related Party Transaction** is defined as a transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Related parties can include Members and officers and any such transactions must be disclosed where they are material and not already evident in the statutory accounts. The Code of Practice requires the separate disclosure of such transactions in the Accounts and details of the disclosures received so far are set out in note 10. Any further disclosures will be included in the final version of the Statement of Accounts.

8.3 In relation to **Officers Emoluments**, in previous years provisional information has been included in the draft statutory accounts for schools that had yet to submit a return with any required amendments being made prior to publication of the final version of the Statement of Accounts. For 2009/10, there are no outstanding returns to disclose.

9. Pension Fund Accounts

9.1 These are the accounts of the London Borough of Bromley Pension Fund that provides pension benefits for staff, excluding Teachers. The accounts relate to the whole fund including the assets and liabilities of the scheduled and admitted bodies. During 2009/10 the net assets of the Fund increased by £148.6m, mainly due to gains on asset values during the year. During 2009/10 contributions were in excess of benefits and other payments by £4.4m and the net gain on investments was £144.2m.

9.2 The Fund actuary values the fund every three years with the last valuation having being conducted, during 2007/08, on the position at 31st March 2007. The actuary found a solvency level of 81%, an increase of 15% compared to the position at 31st March 2004. The employer contribution rate was set at the level required to attain 100% solvency within 12 years. The next full valuation (as at 31st March 2010) will be carried out during 2010/11.

9.3 The accounts also include disclosures in relation to the Bromley part of the Fund and these explain the FRS 17 valuation basis used to prepare the Authority's accounts – this uses different assumptions from those used in the triennial valuation.

10. POLICY IMPLICATIONS

10.1 There are no direct policy implications arising from this report. The final revenue and capital outturn for 2009/10 were reported to the Executive on 16th June 2010. Members are referred to these reports for detailed information on variations from approved budgets. These reports also draw Members' attention to the major policy issues arising from last year's outturns.

11. FINANCIAL IMPLICATIONS

11.1 There are no financial implications arising directly from this report. The section below provides details of further information relating to the financial implications of the Council's 2009/10 outturn.

12. OTHER FINANCIAL MONITORING REPORTS TO MEMBERS

12.1 Members should note that, in addition to the statement of accounts, there have been more detailed reports relating to the 2009/10 outturn covering specific areas and examples include:

- (a) Capital Programme Outturn (Executive on 16th June 2010);
- (b) Treasury Management (Executive and Resources PDS on 14th July 2010);
- (c) Pension Fund (Investment Sub Committee on 4th May 2010);
- (d) Revenues Services, which includes income collection performance (Executive and Resources PDS on 9th June 2010);
- (e) Housing and Council Tax Benefit (Executive and Resources PDS on 9th June 2010);
- (f) Are We on Track (Executive on 16th June 2010);
- (g) Provisional Final Accounts 2009/10 (Executive on 16th June 2010);
- (h) Update on Financial Strategy 2010/11 to 2013/14 (Executive on 21st July 2010).

Non-Applicable Sections:	There are no direct Legal or Personnel Implications.
Background Documents: (Access via Contact Officer)	All final accounts supporting papers are held in the Accountancy Division Capital Programme Outturn 2009/10 Executive, June 2010 Provisional Final Accounts 2009/10, Executive, June 2010 2009/10 Council Tax Report, Executive February 2009 Capital Review 2009 and the Prudential Code, Executive February 2010