

BROMSGROVE DISTRICT COUNCIL

CABINET

27TH SEPTEMBER 2011

STATEMENT OF ACCOUNTS 2010/11

Relevant Portfolio Holder	Roger Hollingworth
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering (Exec Director)
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

- 1.1 To enable Members to consider the Statement of Accounts 2010/11 and to recommend to Council their approval.

2. RECOMMENDATIONS

- 2.1 **That Cabinet considers the Statement of Accounts 2010/11 and recommends the approval of the accounts to Council.**

3. KEY ISSUES

Financial Implications

- 3.1 None other than those included in this report.

Legal Implications

- 3.2 The Accounts and Audit Regulations 2011 require that the Council complies with statutory accounting legislation and changes.

Service / Operational Implications

- 3.3 The Statement of Accounts were approved by the Executive Director of Finance and Resources in June 2011 in accordance with revised legislation on approval of the accounts which included formal approval of the Accounts by Council by 30th September each year.
- 3.2 2010/11 is the first year that the accounts have to be prepared in compliance with the International Financial Reporting Standards which has resulted in a significant amount of additional work by the finance team in amending prior year comparisons together with the interpretation of the new guidelines. The Audit Commission have recognised that the Council prepared well of the introduction of this new compliance and there are no issues to report.

3.3 The Financial Statements have been audited by the Audit Commission who are the Councils external Auditors. The Annual Governance Report as presented to this meeting as an earlier agenda item reflects the opinion on the Accounts and it is proposed by the Audit Commission that an unqualified opinion will be given on the Statement of Accounts 2010/11. The Statement is attached at Appendix 1.

3.4 Due to the changes resulting from the implementation of the new International Standards there are a new core financial statements together with financial information that has been include in previous formats. These are:

3.4.1 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the Statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

3.4.2 Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with IFRS, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Exceptional items are reported separately on the face of this statement. For 2010/11 the major component relates to a past service gain for pension costs. This is a result of the Government's decision to increase Local Government pensions in line with CPI rather than RPI.

3.4.3 The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first

category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

3.4.4 The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

3.5 The Supplementary Financial Statements:

3.5.1 The Collection Fund

The Collection Fund shows the transactions of the Council in relation to the collection of Council Tax, and National Non-Domestic Rates and the way in which these have been distributed to the preceptors (the police, fire authority, county council and parishes), the General Fund and the NNDR Pool. It is a statutory requirement for billing authorities to maintain this account.

3.6 Financial Summary

3.6.1 General Fund Revenue Account

At its meetings of 20 January and 24 February 2010 respectively, Bromsgrove District Council set a budget of £12.016m (net of planned transfers from earmarked reserves) and a Band D equivalent Council

Tax of £192.85 (£188.15 in 2009/10) which was an increase of 2.5% on the previous year. During the year further budget approvals of £0.059 were approved to fund approved projects. This gave a revised budget of £12.075m.

3.6.2 The Council achieved further success in claims for refund of VAT following a decision in the European Courts on what is known as the “Fleming Case”. The Council received a refund and payment of interest of approximately £154k, net of costs, in 2010/11. This exceptional item of income has been credited to the Income and Expenditure Account in 2010/11 although the VAT claim goes back many years.

3.6.3 The General Fund Revenue Balance increased by £0.652m compared to a budgeted surplus of £0.076m, a favourable variance of £0.576m. This has enabled the Council to increase general fund balances to £1.918m. Additionally the Council has set aside resources to fund future expected payments in a number of areas including costs associated with the implementation of shared services and transformation. Details of individual earmarked reserves can be found in the notes to these financial statements.

3.6.4 The main reasons for the variances are:

- Measures were instigated in December 2010 to reduce expenditure and maximise income opportunities following the significant reduction in government grant income announced in the comprehensive spending review.
- VAT refund – Following further successful claims on the basis of the “Fleming Case” the Council received additional net income of approximately £154k.
- An increase in investment income from the anticipated £87k to £122k.
- A refund of national non-domestic rates was received in respect of the Dolphin Centre and the Council House amounting to £100k. This reflects a revaluation of the properties dating back several years.

Customer / Equalities and Diversity Implications

3.6 None as a direct result of this report.

4. RISK MANAGEMENT

4.1 The Financial Services risk register includes the preparation of the accounts and the controls in place to ensure the accounts are treated in compliance with accounting standards.

5. APPENDICES

BROMSGROVE DISTRICT COUNCIL

CABINET

27TH SEPTEMBER 2011

Appendix 1 – Bromsgrove District Council Statement of Accounts
2010/11

AUTHOR OF REPORT

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