

# **BROMSGROVE DISTRICT COUNCIL**

## **AUDIT BOARD**

**29th JUNE 2009**

### **2008/09 STATEMENT OF ACCOUNTS AND GOVERNANCE STATEMENT**

Responsible Portfolio Holder	Geoff Denaro
Responsible Head of Service	Head of Financial Service

#### **1. SUMMARY**

1.1 To present Members with the financial information for the year ended 31st March 2009. This includes:

- Summary Financial Outturn Information 2008/09
- Statement of Accounts 2008/09
- Governance Statement

#### **2. RECOMMENDATION**

2.1 To note the financial outturn position to 31st March 2009

2.2 To approve the Annual Governance Statement

2.3 To approve the unaudited Statement of Accounts for the year ended 31st March 2009 in accordance with the Accounts and Audit Regulations 2003 amended 2006.

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#### **3. BACKGROUND**

##### **3.1 Financial Outturn 2008/09.**

3.1.1 The financial year 2008/09 has been reported on a quarterly basis through the integrated finance and performance report. The detailed financial outturn report will be considered at Cabinet on 29th July 2009. A summary of the revenue and capital activities for 2008/09 is detailed below.

##### **3.1.2 Revenue Budget**

The General Fund Revenue Account produced a year end deficit of £0.231m compared to a budgeted deficit of £1.074m, a variance of £0.843m. This has enabled the Council to reduce the requirement of a transfer from balances to only £0.231m. Within these figures the Council has set aside resources to fund future expected payments in a number of areas including costs associated with the implementation of Single Status

and shared services. The net increase in earmarked reserves for the year is £0.854m.

The main reasons for the variances are:

- Income generated from investments was £977k more than budget. Investments benefited from substantially increased returns in response to market conditions. Additionally, the realigning of the capital programme made more funds available for investment over the course of the year.
- Planning & Environment Services (£108k underspend) –savings arising due to a number of vacancies across the department offset by loss of income from land charges and Right-to-Buy sales.
- Street Scene & Community (£254k overspend) – This comprises a variety of contributory factors including increased transport costs arising from breakdowns; a shortfall in car park income compared to budget and increased costs in relation to the enhanced travel concession scheme. The Council did not achieve its budgeted savings targets of £150k due to decision by Wychavon Leisure not to progress with the transfer of leisure services.

### **Overall Council Summary**

Service Head	Revised Budget 2008/09 £'000	Actual spend 2008/09 £'000	Variance 2008/09 £'000
<b>Corporate Services</b>	764	937	173
<b>E-Government &amp; Customer Services</b>	243	44	-199
<b>Financial Services</b>	1,518	1,519	1
<b>Legal &amp; Democratic</b>	885	836	-49
<b>Human Resources &amp; Organisational Development</b>	-20	48	68
<b>Planning &amp; Environment Services</b>	4,345	4,237	-108
<b>Street Scene &amp; Community</b>	8,041	8,308	267
<b>TOTAL</b>	<b>15,776</b>	<b>15,929</b>	<b>153</b>
<b>Less: Capital Charges</b>	<b>-2,826</b>	<b>-2,826</b>	<b>0</b>
<b>Interest Payable</b>	<b>0</b>	<b>3</b>	<b>3</b>
<b>Investment Income</b>	<b>-457</b>	<b>-1,434</b>	<b>-977</b>
<b>Total financing requirement</b>	<b>12,493</b>	<b>11,672</b>	<b>-821</b>
<b>Central Government Grants</b>	<b>-4,858</b>	<b>-4,881</b>	<b>-23</b>
<b>Council Tax</b>	<b>-6,560</b>	<b>-6,560</b>	<b>0</b>

<b>Net Funding required from Balances</b>	<b>1,074</b>	<b>231</b>	<b>-843</b>
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### **3.1.3 Capital Budget**

#### ***General Fund Capital Expenditure and Receipts***

Capital expenditure amounted to £9.028m. The main areas of expenditure were ICT Spatial project (£4.776m); replacement vehicles for provision of Street Scene and Waste Management depot services as part of planned programme of replacement (£791k); Homeless Hostel Re-modelling Scheme (£248k); Extra Care Sheltered Housing (£507k); Disabled Facilities Grants (£500k); upgrade to Dolphin Centre Fitness Suite (£798k).

Capital receipts for the year totalled £0.742m. This relates to sales of vehicles and surplus land, and sales of the Council's interest in Low cost Housing schemes and sums received under the VAT Shelter Scheme linked to the housing stock transfer.

Capital contributions of £45k were invoiced relating to Section 106 planning agreements whereby developers and other external sources provide sums to be used to fund capital expenditure. Schemes to be funded by such contributions are specific and may be time limited. Capital grants and contributions of £659k were also received from Government and other organisations to assist with the funding of expenditure on Disabled Facilities Grants, Play Areas, Waste Recycling and Housing.

### **3.1.4 Balances**

Due to the increase in investment income and other managed underspends throughout the departments the Council is able to limit the transfer from general balances to £231k. The revised position to 31st March 2008 is £1.793m.

## **5.1 Governance Statement**

5.1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall duty, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates

the effective exercise of its functions and which includes arrangements for the management of risk.

5.1.2 The preparation of an Annual Governance Statement is a new statutory requirement and its purpose is to provide and demonstrate that there is a continuous review of the effectiveness of the Council's internal control and risk management systems so as to give assurance on their effectiveness and to produce action plans to address identified weaknesses.

5.1.3 The Governance Statement is included in Appendix 1 to this report.

## **6.1 Statement of Accounts**

6.1.1 The Accounts and Audit Regulations 2003 amended 2006 require that the Statement of Accounts be presented to a relevant Committee or to the Council meeting as a corporate body for approval.

6.1.2 The Statement of Accounts for 2008/09 is being reported to Members within the statutory deadline of 30th June 2009.

6.1.3 The Statement of Accounts 2008/09 is attached at Appendix 1. All figures are subject to external audit examination. It is anticipated that the Audit Commission will begin the audit in July 2009.

6.1.4 The core financial statements are:

### **6.1.5 The Accounting Statements:**

#### The Income and Expenditure Account (I&E Account)

This statement is fundamental to the understanding of the Council's activities, in that it reports the net cost for the year of all the functions for which the Council is responsible. It also shows how much is received from council tax payers and from general government grants to help meet the cost of services.

#### Statement of the Movement on the General Fund Balance

This statement shows the change in the General Fund Balance after taking into account the Council's spending against the Council tax that it raised for the year, items required to be included or excluded by statute, the use of reserves built up in previous years and contributions to Earmarked Reserves for future expenditure.

#### Statement of Total Recognised Gains and Losses (STRGL)

The I&E Account brings together all of the functions of the Council and summarises all of the resources that the Council has generated, utilised or set aside in providing services during the year. However, the Council may recognise

other gains and losses in its Balance Sheet that are not debited or credited to the Income and Expenditure Account. The Statement of Total Recognised Gains and Losses brings these other gains and losses together with the surplus or deficit on the I&E Account to show the total movement in the Council's net worth for the year.

#### The Balance Sheet

The Balance Sheet summarises the Council's financial position as at 31st March 2009. It includes the assets and liabilities of all activities of the Council.

#### The Cashflow Statement

This summarises the cash received and payments made by the council for revenue and capital purposes in 2008/09.

### **6.1.6 The supplementary financial statements:**

#### 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 General Fund and the NNDR Pool. It is a statutory requirement for billing authorities to maintain this account.

## **7 Statement of Accounts 2008/09 on Display**

7.1 As required under the Accounts and Audit Regulations 2003, the Statement of Accounts will be on public display at the Council House for 20 working days from Tuesday 11th August. During that time members of the public will be able to inspect the accounts. The external auditor will be available on Tuesday 8th September to receive questions or objections on the accounts.

## **8. FINANCIAL IMPLICATIONS**

8.1 No other than those reported in the Statement of Accounts

## **9. LEGAL IMPLICATIONS**

9.1 If the unaudited Statement of Accounts is not referred to Council for approval the Council will not meet its statutory responsibilities and the external auditors will report non-compliance in the Audit Management letter.

## **10. COUNCIL OBJECTIVES**

10.1 Improvement Objective - The approval of the Statement of Accounts within the statutory timescale will be assessed by the external auditors in their review for the Use of Resources assessment. Preparation of the Statement of accounts with in statutory timescales is evidence of efficient and effective financial management and reporting arrangements.

## **11. RISK MANAGEMENT**

11.1 The risks associated with the delivery and quality of the Statement of Accounts are addressed as part of the Financial Services Risk Register.

11.2 The specific controls identified in the provision of effective and efficient Internal Audit and Accountancy services are fundamental to ensuring there are robust controls in place to deliver a solid framework for financial management and internal control

## **12. CUSTOMER IMPLICATIONS**

12.1 Preparing the Statement of Accounts demonstrates to our customers the Councils value and costs associated with providing services to the community.

## **13. EQUALITIES AND DIVERSITY IMPLICATIONS**

13.1 None

## **14. VALUE FOR MONEY IMPLICATIONS**

14.1 The effective management of our finances and the approval of the Statement of Accounts are key to the improvements in our Use of Resources and demonstration of Value for Money to our residents.

## **15. OTHER IMPLICATIONS**

Procurement Issues None
Personnel Implications None
Governance/Performance Management The governance statement addresses the areas that have been improved in the Council and identifies concerns that have arisen during the year.
Community Safety including Section 17 of Crime and Disorder Act 1998 None
Policy None

Environmental None
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**16. OTHERS CONSULTED ON THE REPORT**

Portfolio Holder	Yes
Chief Executive	No
Executive Director - Partnerships and Projects	No
Executive Director - Services	No
Assistant Chief Executive	No
Head of Service	No
Head of Financial Services	Yes
Head of Legal, Equalities & Democratic Services	No
Head of Organisational Development & HR	No
Corporate Procurement Team	No

**17. WARDS AFFECTED**

No Wards

**18. APPENDICES**

Appendix 1 Statement of Accounts and Governance Statement

**19. BACKGROUND PAPERS**

Final Accounts working papers

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