

BROMSGROVE DISTRICT COUNCIL

CABINET

30TH JUNE 2010

STATEMENT OF ACCOUNTS 2009/10

Relevant Portfolio Holder	Councillor Geoff Denaro Cabinet Member for Finance
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Corporate Resources
Key Decision / Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 To present members with the financial information for the year ended 31 March 2010. This includes:
- Financial Outturn Information 2009/10
 - Statement of Accounts 2009/10
 - Annual Governance Statement 2009/10

2. RECOMMENDATIONS

- 2.1 It is recommended that Cabinet;
- 2.2 request Full Council to approve the unaudited Statement of Accounts for the year ended 31 March 2010
- 2.3 request Full Council to approve the increase in the 2010/11 Capital Programme of £1.192m in relation to the carry forward requests as identified at Appendix 2
- 2.4 note the Annual Governance Statement
- 2.5 note the outturn position on revenue and capital as detailed in this report.

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2003 govern the content of councils' accounts and procedures for their adoption
- 3.2 The Chief Financial Officer is required to prepare the statement in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009
- 3.3 The Audit Commission is responsible for auditing the statement in accordance with regulation. Audit of the 2009/10 accounts will commence on 12 July 2010.

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3.4 The Integrated Finance and Performance Report has been presented to Members on a quarterly basis during 2009/10. This report presents a summary of the final financial position for the financial year.

4. KEY ISSUES

FINANCIAL POSITION FOR THE YEAR

4.1 Revenue Budget

4.1.1 The General Fund Revenue Account produced a year end shortfall of £487k compared to a budgeted shortfall of £731k, an improvement of £244k. This has enabled the Council to reduce the requirement to meet this shortfall from balances to only £487k. This leaves the remaining £1.266m of General Fund Balance available for one off items of expenditure (minimum approved level £850k).

4.1.2 Within these figures the Council has set aside resources to fund potential future payments in a number of areas including costs associated with shared services and extension to recycling services to meet the Councils priorities.

4.1.3 The Council Summary is detailed below. Members can request

Revenue Budget summary – Overall Council 2009/10

Service Head	Revised Budget 2009/10 £'000	Actual spend 2009/10 £'000	Variance 2009/10 £'000 (- underspend)
Street Scene & Community	8,840	8,810	-30
Planning & Environment Services	5,196	5,097	-99
E-Government & Customer Services	107	52	-55
Financial Services	1,465	1,446	-19
Corporate Services	962	948	-14
Legal & Democratic	1,246	1,089	-157
Human Resources & Organisational Development	44	-41	-85
SERVICE TOTAL	17,860	17,401	-459

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Interest on Investments	-166	-89	77
Capital Programme financed by replacement reserve	536	536	0
Other non service income	0	-20	-20
Additional Income from VAT reclaim (4.2.4)	0	-211	-211
General transfer to earmarked reserves	-1,038	-669	369
COUNCIL SUMMARY	17,192	16,948	-244

4.2 Financial Commentary

4.2.1 The table shows an under spend of £244k compared with the revised budget of £17.192m.

4.2.2 Measures were instigated in September 2009 to address the previously reported significant overspend to ensure that the impact of the over spend was mitigated as much as possible and with minimal effect on our service delivery.

4.2.3 Actions included; a full review of all orders to ensure the essential nature of all procurement and to only spend on areas of critical need to the Council. In addition officers cut back on any general non-essential spend and looked to maximise income opportunities.

4.2.4 Contributory factors to the overall under spend include:

- A refund (£84k) of national non-domestic rates in relation to the Council House, following assessment by the Valuations office dating back to 2005/06. This forms part of the Legal, Equalities and Democratic Services reported under spend.
- A shortfall in investment income amounting to £77k. The potential shortfall was highlighted during the year and is due to the rates of return on acceptable investments being less than originally estimated.
- Net receipts arising from HMRC as a result of the Fleming VAT case amounting to £206k
- HR&OD – release of earmarked reserves not recommended for retention, totalling £93k
- Planning and Environment - includes an additional receipt of planning delivery grant (£98k) combined with savings arising due to a number of vacancies across the department (£34k) and increased income from

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licensing (£27k). This is offset by loss of income from land charges (£100k).

- Due to the VAT monies received and the overall position additional general amounts were transferred back to earmarked reserves, totalling £369k

Capital Budget summary 2009/10

Department	Revised Budget 2009/10 £'000	Actual spend 2009/10 £'000	Variance £'000
Street Scene and Community	2,690	1,807	-883
Planning & Environment (inc Housing)	1,564	1,315	-249
E-Government & Customer Services	312	206	-106
Financial Services	6	2	-4
Legal, Equality & Democratic Services	86	0	-86
Corporate Services	61	16	-45
TOTAL	4,719	3,346	-1,373

Financial Commentary

- The Capital Programme is considered on a monthly basis by the Asset Management Group to ensure projects are on schedule and within budget. In addition Heads of Service meet regularly with Service Accountants to identify and financial management issues within the programme.

The main areas where Capital Schemes are under spent are:

- The sum of £215k earmarked for a new park at the Barnsley Hall site. This project has been subjected to delays due to poor ground conditions. Works are now due to completed

in September 2010.

- The £360k funds allocated for a number of District Wide Sports Enhancements has not been utilised as originally anticipated. This is due to the wider procurement process that has been undertaken to ensure the Council achieves Value for Money. The schemes are now due to be completed in 2010/11.
- The funds allocated to the improvements to the Artix roof were largely underspent (£118k) after it was found that a more cost effective solution could be implemented.
- Within the E-Government and Customer Service area there has been a number of changes in compliance requirements from external agencies over the last 2 years. This has resulted in the delays to projects as officers have had to reschedule to deliver projects within alternative frameworks. It is proposed that these are carried forward to 2010/11.
- As part of the shared service business cases for ICT and CCTV allocations of capital expenditure were approved in 2009/10. The initial focus of the delivery of the shared service projects relates to staff transfers and resource management and therefore the system implementation will undertaken in 2010/11.

4.3 Sundry Debtors

4.3.1 Sundry Debt is raised by the Council to ensure effective recovery of debts owing. The outstanding balance at 31/03/10 was £561k which includes:-

- £52k car parking fines
- £37k lifeline debts
- £27k rents/ hire charges
- £12k building regulations
- £28k trade waste and cesspool emptying
- £52k electoral services
- £82k developer contributions
- £88k other external contributions
- £28k external grants
- £28k housing schemes
- £35k grounds maintenance / grass cutting
- £19k dolphin centre membership
- £9k economic development
- And £64k in respect of other services provided by the Council to other organisations (e.g. contracts with BDHT for legal work)

The age of the debt is represented as follows:

Up to 1 month £372k
1-2 months £33k
3 – 6 months £21k
Over 6 months £135k

Debts over 2 months are currently with the legal department for consideration and further recovery and include £45k of car parking fines.

The outstanding balance at 31/12/09 was £482k.

4.4 TREASURY MANAGEMENT

4.4.1 Investment Interest

For the year to 31 March 2010 the Council received net investment income amounting to £89k against budgeted receipts of £166k. This income arises on interest earned on in-house managed funds (cash currently surplus to cash flow requirements that is placed on short-term deposit).

4.4.2 Due to advice received the Council is maintaining its stance of depositing in ultra low risk investments. In our recent Investment Updates we have been advised to use named UK incorporated institutions as investment counterparties whose long-term ratings are currently in the 'double-A' category.

4.4.3 All funds are now managed internally within the Finance department with support from our advisors Arlingclose.

4.5 EFFICIENCY SAVINGS

4.5.1 As part of the budget round for 2009/10 and ongoing efficiencies a target of £759k was agreed for efficiency savings. These efficiencies were allocated across the difference service areas, as detailed in Appendix 1. The outturn for 09/10 was £726k. The original target included an increased target for licensing income which has not been achieved and the need to employ audit support within the year.

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4.6 REVENUE BALANCES AND EARMARKED RESERVES

4.6.1 Revenue Balances

The revenue balances brought forward at 1 April 2009 were reinstated to £1.753m after invoking the DCLG capitalisation direction. The revised budget requirement for use of balances in 2009/10 was £731k. The reduced level of deficit as detailed in this report has meant a limited transfer from balances of £487k. The new level of balances is £1.266m, which can be utilised to fund one off items to deliver the priorities of the Council.

4.6.2 Earmarked Reserves

The Council maintains a number of reserves which have been set up voluntarily to earmark resources for future spending plans. The balance on these reserves is shown below:

Earmarked Reserve	Balance 31 March 2009 £000	Net Movement in Year £000	Balance 31 March 2010 £000	Purpose
Building Control Partnership	10	12	22	Funds associated with partnership arrangements on Building Control
Local Neighbourhood Partnerships	54	4	58	Balance remaining of original funding allocated to LNPs. These balances are committed against projects being delivered.
Economic regeneration	49	13	62	Includes Town Centre and regenerative small business grants.
Organisational Development	101	-101	0	Organisational training & development
Shared Services	262	182	444	To fund future shared services opportunities
Single Status/Job Evaluation	309	-163	146	To fund costs associated with the implementation of Single Status
Local Development Framework	143	100	243	Development of Regional Core Strategy – potential costs of public examination

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Housing Schemes	14	-3	11	To fund survey work and expected upturn in homelessness cases due to recession.
Planning Delivery Grant	340	-313	27	Accumulation of unused Planning Delivery Grant
Replacement Reserve	536	-536	0	Sums set aside to fund future replacement of vehicles and ICT equipment – utilised to fund capital programme in 2009/10
Other	28	-16	12	Planned expenditure on other equipment and maintenance
Litigation Reserve	50	0	50	Funds set aside based on potential litigation at 31 March 2010.
Local Strategic Partnership	0	25	25	LAA reward grant for LSP activities
Legal Monitoring Dept	0	24	24	To fund costs associated with Member complaints procedure
Recycling Extension	0	129	129	To extend the recycling into other areas of the district
Community Safety	0	25	25	Community Safety – Funding from LNP & WCC
Leisure/Community Safety Reserve	80	-20	60	Unspent funding to be used for ring fenced leisure/safety programmes
Total	1,976	-638	1,338	

* After reinstating the replacement reserve as a result of the capitalisation direction.

4.7 GOVERNANCE STATEMENT

4.7.1 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.

4.7.2 The preparation of an Annual Governance Statement is a 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.

4.7.3 The Governance Statement is included in Appendix 3 to this report.

4.8 STATEMENT OF ACCOUNTS

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

4.8.2 The Statement of Accounts for 2009/10 is being reported to Members within the statutory deadline of 30 June 2010.

4.8.3 The Statement of Accounts 2009/10 is attached at Appendix 4. All figures are subject to external audit examination. It is anticipated that the Audit Commission will begin the audit in July 2010.

The financial statements are:

The Core 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 2010. 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 2009/10.

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.

Statement of Accounts 2009/10 on Display

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 10 August. During that time members of the public will be able to inspect the accounts. The external auditor will be available on Tuesday 7 September to receive questions or objections on the accounts

5. FINANCIAL IMPLICATIONS

5.1 None other than those covered in this report.

6. LEGAL IMPLICATIONS

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

7. POLICY IMPLICATIONS

- 7.1 The delivery of an effective accounts and financial management service is demonstrated by the Statement of Accounts being presented to the statutory deadline.

8. COUNCIL OBJECTIVES

- 8.1 The meeting of the deadline and the presentation and completion of the accounts meets the improvement objective across the Council.

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

- 9.1 The Financial Services risk register includes the preparation of the accounts and the controls in place to ensure the accounts are closed within the deadline and are accurate and transparent.

10. CUSTOMER IMPLICATIONS

- 10.1 The effective use of our resources, as detailed in the statement ensures funds are appropriately utilised to meet customer demand.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

- 11.1 None as a direct result of this report.

12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

- 12.1 None as a direct result of this report.

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

- 13.1 None as a direct result of this report.

14. HUMAN RESOURCES IMPLICATIONS

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14.1 None as a direct result of this report

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

15.1 The statement of accounts and the controls in place to ensure the accounts are accurate is key to the effective governance arrangements in place within the Council.

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

16.1 None as a direct result of this report.

17. HEALTH INEQUALITIES IMPLICATIONS

17.1 None as a direct result of this report.

18. LESSONS LEARNT

18.1 Officers continue to seek advice from best practice authorities and the Audit Commission recommendations to ensure the accounts are presented in a format that is useful to members and stakeholders.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

19.1 None as a direct result of this report .

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	Yes
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	Yes
Executive Director – Planning & Regeneration, Regulatory and Housing Services	Yes

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Director of Policy, Performance and Partnerships	Yes
Head of Service	Yes
Head of Resources	Yes
Head of Legal, Equalities & Democratic Services	Yes
Corporate Procurement Team	N/A

21. WARDS AFFECTED

All wards

22. APPENDICES

- Appendix 1 Efficiency Savings 2009/10
- Appendix 2 Capital Carry Forward Requests 2009/10
- Appendix 3 Annual Governance Statement
- Appendix 4 Statement of Accounts 2009/10

23. BACKGROUND PAPERS

Detailed working papers for final accounts

24. KEY

n/a

AUTHOR OF REPORT

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