

# **WIRRAL COUNCIL**

## **CABINET**

**22 JULY 2010**

### **REPORT OF THE DIRECTOR OF FINANCE**

#### **STATEMENT OF ACCOUNTS 2009/10**

##### **1. EXECUTIVE SUMMARY**

- 1.1. This report presents the Statement of Accounts for 2009-10 prior to audit. The Accounts were agreed by the Audit and Risk Management Committee on 30 June 2010.

##### **2. BACKGROUND**

- 2.1. The Accounts and Audit Regulations 2003 specify that the Statement of Accounts must be presented to an appropriate Committee, the Audit and Risk Management Committee no later than 30 June.
- 2.2. I have signed the Accounts certifying that they represent a true and fair view of the financial position of the Authority. The Statement is attached as an Appendix.
- 2.3. The Accounts are subject to audit and if the Audit Commission requires any material amendments to the Accounts, then as stipulated by the Regulations, these will be reported to the 28 September 2010 meeting of the Audit and Risk Management Committee.
- 2.4. The Accounts are produced in accordance with the statutory accounting framework laid down by the Accounts and Audit Regulations 2003. The framework is further supported by the Statement of Recommended Practice (SORP). The SORP is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts which presents fairly the position of a local authority.

##### **3 STATEMENT OF ACCOUNTS FORMAT**

- 3.1 The Statement of Accounts contains the following:-
- Explanatory Forward.
  - Statement of Principles and Accounting Policies.
  - Statement of Responsibilities for the Statement of Accounts.
  - Annual Governance Statement.
  - The Main Financial Statements.
  - Notes to the Main Financial Statements.
  - Collection Fund.
  - Merseyside Pension Fund Accounts.

### 3.2 The Main Financial Statements comprise five key Statements:-

#### 3.2.1 The Income and Expenditure Account

This shows the net cost for the year of all the functions for which the Council is responsible and sets out how the cost has been financed from general Government grants and the Council Tax. It is divided into three sections:-

- Net Cost of Services - this lays out the costs of the different continuing operations, including the cost of support services, net of specific grants and income from fees and charges to give the net cost of services. It also includes the net cost of discontinued operations.
- Net Operating Expenditure - this contains income and expenditure relating to the Council as a whole. When added to the net cost of services this results in the net operating expenditure
- Deficit or Surplus for the year - this shows the income and expenditure from local taxation and general Government grants in the year to give the net deficit or surplus for the year.

#### 3.2.2 The Statement of General Fund Balances

This provides reconciliation between the Income and Expenditure Account and the statutory requirement for the Council to take account of specific items when setting the Council Tax. The surplus or deficit on the Income and Expenditure Account represents the amount by which income is greater than or less than expenditure as measured by accounting practice. However, there are items of income and expenditure that are required to be charged to the General Fund, which are taken into account when determining the budget requirement. They are determined by statute and not accounting practices and are shown in the Statement of Movement on General Fund Balances. This Statement shows the full picture of the financial performance during the year and the balances carried forward.

#### 3.2.3 The Statement of Total Recognised Gains and Losses

This summarises all of the gains and losses of the Council for the year and shows the total increase or decrease in net worth. The Income and Expenditure Account brings together all of the costs of Council services and summarises available resources. However, the Council will be recognising other gains or losses in the Balance Sheet that are not included in the Income and Expenditure Account. The Statement of Total Recognised Gains and Losses brings together these other gains and losses with the Income and Expenditure Account to show the total movement in net worth.

#### 3.2.4 The Balance Sheet details the assets and liabilities.

#### 3.2.5 The Cash Flow Statement details and categorises the value of transactions flowing in and out of the accounts.

#### **4. CHANGES TO THE ACCOUNTS FOR 2009/10**

4.1 The most significant changes which apply to accounting periods commencing on or after 1 April 2009 and have affected the Council accounts are set out in the following paragraphs:

##### **4.2 Private Finance Initiative (PFI)**

4.2.1 The accounting requirements for PFI and similar contracts are no longer based on the UK Accounting Standard FRS 5 but on International Financial Reporting Standards (IFRS). This represents a change in accounting policy and has required 2008/09 comparators to be restated.

4.2.2 The 2009 SORP has taken the approach of early adoption in 2009/10 of this element of IFRS. In addition to all contracts entered into from 1 April 2009, the requirements also apply in respect of PFI and similar contracts existing at 31 March 2009 and prior period adjustments have been required for these. Additionally PFI properties used to deliver PFI services which were 'off Balance Sheet' have been required to be recognised on the Council Balance Sheet together with a liability for the financing provided by the PFI operator.

##### **4.3 Local Taxes**

4.3.1 Accounting for local taxes, National Non-Domestic Rate (NNDR) and Council Tax in England, was not covered in detail in previous SORPs and the requirements are for the first time included specifically in the SORP. The revisions represent changes in accounting policy and are reflected in the policies.

4.3.2 Billing authorities such as Wirral, collect NNDR under what is in substance an agency arrangement for the Government. In following the SORP 2009 billing authorities no longer recognise NNDR debtors in their Balance Sheet and recognise a creditor or debtor for the cash collected from NNDR debtors as an agent of the Government but not paid to the Government, or overpaid to the Government at the Balance Sheet date.

4.3.3 A billing authority such as the Council acts as an agent as it collects and distributes Council Tax income on behalf of the major preceptors and itself. As a consequence only the billing authority share of Council Tax debtors is disclosed within the Balance Sheet. This means that for 2009/10 the Council has recorded the accrued income for the year. The previous amounts recorded would represent the amount adjusted for any surplus or deficit on the Collection Fund. This change has impacted upon all the major Financial Statements and Prior Period Adjustments have been actioned to reflect the changed requirements.

4.7 A number of other changes have been made.

4.7.1 Removal of Disclosure Notes

- Section 137 expenditure
- Expenditure on publicity
- Building Control Account
- Income under Local Authority Goods and Services Act 1970

4.7.2 Officer remuneration

The revised disclosure note is now to include the number of officers whose remuneration was £50,000 and above in rising bands of £5,000 instead of the previous £10,000 bands. A separate more detailed disclosure is also now required of senior officers.

4.7.3 True and Fair

The Accounts and Audit (Amendment) (England) Regulations 2009 change the certification of the Statement of Accounts to “true and fair” for 2009/10 from presents fairly in 2008/09.

## 5. ANNUAL GOVERNANCE REPORT

The Annual Governance Report considered by this Cabinet on 15 October 2009 contained three recommendations that are relevant to the production of the 2009/10 Statement of Accounts.

<b>Recommendation</b>	<b>Work undertaken 2009/10</b>
Strengthen quality assurance to ensure errors on the accounts are minimised.	Assurance undertaken prior to release of the Statement included reviews of the draft versions of the documents, use of a Consistency Tool and analytical review. Procedures updated and accompanied by / supported with training.
Improve asset records and review systems used for land and buildings, vehicles, plant and equipment, infrastructure and community assets.	Purchase and implementation of a computerised Asset Register accounting system. Review of information held on vehicles, plant and equipment. For infrastructure, activity has focused around the recent guidance on the valuation of these assets. A procurement exercise is being undertaken for an integrated highways asset management system. The museum service has undertaken further work on documenting the collection, principally of oil paintings. This is part of the Museum Accreditation process with further work planned for 2010/11 and future years.

Members should comply with the process for making related party disclosure declaration.	The process was enhanced by contacts with party offices and through the Director of Law, HR & Asset Management. Despite repeated requests 1 return remains outstanding.
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## 6. MEMBERS ROLE IN SCRUTINISING THE STATEMENT OF ACCOUNTS

6.1 The role of Audit and Risk Management Committee is to ensure that the quality control procedures are in place to ensure that the Statement of Accounts submitted for audit is of the appropriate standard. Given the complex technical nature of the Accounts the Committee is not expected to be able to review the Accounts in detail. However it should consider the following:-

- The key accounting policies.
- Assurances about the financial systems that have provided the figures for the Accounts.
- The quality control arrangements over the preparation of the Accounts by the Director of Finance and his staff.
- Key judgements in preparing the Accounts.
- Any issues raised by the Audit Commission that have to be resolved.

6.2 The Committee in scrutinising the Accounts may wish to ask the following:-

- Are the accounting policies that are in place compliant with the relevant requirements?
- Have the Accounts been subject to sufficient review by the Director of Finance and relevant staff?
- Have the correct processes been undertaken in preparing the Accounts and are these robust?
- When new accounting issues have arisen has appropriate advice on accounting treatment been obtained?
- Are there suitable processes in place to ensure the accuracy of the financial records that the Council has kept during 2009/10?

## 7. FINANCIAL IMPLICATIONS

7.1 The purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March 2010 in accordance with statutory guidance. Certain aspects may be directly related to the various reports presented to Cabinet on 24 June 2010 including the Revenue Out-turn, Capital Out-turn and Capital Determinations, Collection Summary and the Treasury Management and Insurance Fund Annual Reports.

## 8. STAFFING IMPLICATIONS

8.1. There are no specific implications arising out of this report.

## 9. EQUAL OPPORTUNITIES IMPLICATIONS

9.1. There are none arising directly from this report.

**10. HUMAN RIGHTS IMPLICATIONS**

10.1. There are none arising directly from this report.

**11. COMMUNITY SAFETY IMPLICATIONS**

11.1. There are no specific implications arising from this report.

**12. LOCAL MEMBER SUPPORT IMPLICATIONS**

12.1. There are no specific implications for any Member or Ward.

**13. PLANNING IMPLICATIONS.**

13.1. There are none arising directly from this report.

**14. LOCAL AGENDA 21 STATEMENT**

14.1. There are none arising directly from this report.

**15. BACKGROUND PAPERS**

15.1. Code of Practice on Local Authority Accounting in the UK – SORP 2009.

15.2. Capital Finance and Accounting Regulations 2008.

15.3. Accounts and Audit Regulations 2003.

**16. RECOMMENDATION**

16.1. That the Statement of Accounts 2009/10 be received.

IAN COLEMAN  
DIRECTOR OF FINANCE