

WIRRAL COUNCIL

CABINET

23 JULY 2009

REPORT OF THE DIRECTOR OF FINANCE

STATEMENT OF ACCOUNTS 2008/09

1. EXECUTIVE SUMMARY

- 1.1. This report presents the Statement of Accounts 2008-09 which was agreed by the Audit and Risk Management Committee on 29 June 2009.

2. BACKGROUND

- 2.1. The Accounts and Audit Regulations 2003 specify that the Statement of Accounts must be presented to an appropriate Committee no later than 30 June.
- 2.2. I have signed the Accounts certifying that they represent fairly 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 23 September 2009 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 present 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 comprising:
 - The Income and Expenditure Account
 - The Statement of Movement on General Fund Balances
 - Statement of Recognised Gains and Losses
 - Balance Sheet
 - Cash Flow Statement

- Notes to the Main Financial Statements
- Collection Fund and notes
- Merseyside Pension Fund Accounts

3.2 The Income and Expenditure Account 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.

3.3 The Statement of General Fund Balances provides a 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.

3.4 The Statement of Total Recognised Gains and Losses 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.

3.5 The other main statements are the Balance Sheet and Cash Flow Statement. The Balance Sheet details the assets and liabilities. The Cash Flow Statement details and categorises the value of transactions flowing in and out of the accounts and has been subject to a series of presentational changes in recent years.

- 3.6 After the substantial changes made in the areas of Capital Accounting and Treasury Management as part of the 2007/08 Statement of Accounts the changes this year have been largely of a consolidation nature. The most significant of these being the new requirements for the accounting and disclosure of pensions in relation to Financial Reporting standard 17 – Retirement Benefits.
- 3.7 Accountancy regulatory bodies have agreed to a convergence of accounting standards and practices globally to enable easier comparison of accounts across countries. There will be significant changes needed for the implementation of International Financial Reporting Standards which are being implemented in stages and are to be fully applied from the 2010/11 financial year.

4. MEMBERS ROLE IN SCRUTINISING THE STATEMENT OF ACCOUNTS

4.1 The Audit and Risk Management Committee role 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.

4.2 The Audit & Risk Management Committee in scrutinising the Accounts reviewed 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 2007/08?

5. FINANCIAL IMPLICATIONS

- 5.1 The purpose of the Statement of Accounts is to present the overall financial position of the Council at 31 March 2009 in accordance with statutory guidance. Certain aspects are directly related to the various out-turn reports presented to Cabinet on 25 June 2009 including the Financial Out-turn, Capital Out-turn and Determinations, Collection Summary and the Treasury Management and Insurance Fund Annual Reports.

6. STAFFING IMPLICATIONS

- 6.1 There are no specific implications arising out of this report.

7. EQUAL OPPORTUNITIES IMPLICATIONS

- 7.1 There are none arising directly from this report.

8. HUMAN RIGHTS IMPLICATIONS

- 8.1 There are none arising directly from this report.

9. COMMUNITY SAFETY IMPLICATIONS

- 9.1 There are no specific implications arising from this report.

10. LOCAL MEMBER SUPPORT IMPLICATIONS

- 10.1 There are no specific implications for any Member or Ward.

11. PLANNING IMPLICATIONS.

- 11.1 There are none arising directly from this report.

12. **LOCAL AGENDA 21 STATEMENT**

12.1. There are none arising directly from this report.

13. **BACKGROUND PAPERS**

13.1. Code of Practice on Local Authority Accounting in the UK – SORP 2008.

13.2. Capital Finance and Accounting Regulations 2008.

13.3. Accounts and Audit Regulations 2003.

14. **RECOMMENDATION**

14.1. That the Statement of Accounts 2008/09 be approved.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/201/09