

ITEM NO: 10

DECISION-MAKER:	COUNCIL		
SUBJECT:	STATEMENT OF ACCOUNTS 2009/10		
DATE OF DECISION:	14 JULY 2010		
REPORT OF:	EXECUTIVE DIRECTOR OF RESOURCES		
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STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

SUMMARY

In accordance with the Accounts and Audit Regulations 2003 the Statement of Accounts 2009/10 was submitted to the Audit Committee on 23rd June and Standards & Governance on 24th June 2010. A copy of the draft unaudited accounts is available in the Members Room.

Presenting the accounts at this time means that the Annual Audit, carried out by the Audit Commission, will not have been completed. Any major changes to the Statement of Accounts arising from the annual audit will be reported to the Standards and Governance Committee after the completion of the audit on 30th September 2010.

RECOMMENDATIONS:

That Council:

- (i) Notes the approval of the Statement of Accounts 2009/10 by the Standards and Governance Committee on 24th June 2010, subject to any changes required after the completion of the Audit. Any such changes will be presented to the Audit Committee.

REASONS FOR REPORT RECOMMENDATIONS

1. It is a legal requirement to approve the Statement of Accounts by 30th June 2010.

CONSULTATION

2. Not Applicable.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. None as it is a legal requirement to approve the Statement of Accounts by 30th June 2010.

DETAIL

4. The Statement of Accounts is a complex document with the layout and information provided being defined by statutory requirements. The key issues that should be drawn to the committee's attention are detailed below.

CHANGES TO THE 2009/10 ACCOUNTS

5. There have been a number of changes to local authority accounting regulations in 2009/10 introduced by the 2009 Statement of Recommended Practice (SORP). The key changes are:
 - **PFI and IFRIC 12 Service Concessions** - In preparation for International Financial Reporting Standards (IFRS), the SORP requires some Private Finance Initiatives (PFI) and Service Concession arrangements to be accounted for in accordance with IFRIC12 (International Financial Reporting Interpretations Committee). That is they should be included on Balance Sheet where previously they were off Balance Sheet. The Balance Sheet has been adjusted to include Assets and Liabilities associated with the PFI type arrangements as if the schemes had always been accounted for on Balance Sheet.
 - **Collection Fund** - Council Tax and National Non Domestic Rate (NNDR) income, are now required to be accounted for on an agency basis. The Balance Sheet Collection Fund Debtors and Creditors, at the 31st March 2009 included in the Statement of Accounts for 2008/09, in respect of Council Tax and NNDR have been adjusted to accommodate the change in accounting treatment.
 - **Disclosure Note Changes** - A number of Disclosure Notes are no longer required within the Financial Statements and have therefore been removed, namely:
 - i) Section 137 Expenditure,
 - ii) Expenditure on Publicity,
 - iii) Building Control Trading Account,
 - iv) Business Improvement District Schemes; and
 - v) Local Authority (Goods and Services Act 1970)
6. These changes have had no effect on the General Fund balances available to the authority or on Council Tax.

CONTINUING IMPACT OF THE RECESSION

7. The current economic climate has continued to have a major impact on the Council's financial position during 2009/10, namely in three areas:-

- A loss of income from fees and charges which is expected to continue into 2010/11.
- A drop in income from investments due to sustained low interest rates.
- A reduction in capital receipts from the sales of land and property which continue to be less than forecast impacting on many key schemes in the City which have either been put on hold or abandoned.

Despite these issues, the Council was again able to approve a balanced budget for 2010/11 that took these losses into account. The Council has also continued with the policy decision taken last year to suspend the sale of any major assets until such time as the market picks up. The economic situation and the ongoing uncertainty in the banking sector have had an impact on the management of the Council's cash flow. In order to balance the fall in investment income a conscious decision was taken to switch to short term debt which is currently available at lower rates than long term debt due to the depressed market. As a result the average rate for repayment of debt, (the Consolidated Interest Rate – CRI), has reduced from 4.35% in 2008/09 to 1.95%. As this is a temporary arrangement, savings have been transferred to an Interest Equalisation Reserve, until the Council locks back into long term debt. In addition, due to the ongoing uncertainty the Council has continued to adopt a prudent approach to risk within its investment portfolio and its loan portfolio is structured to lessen its overall exposure in the investment market.

REVENUE EXPENDITURE AND INCOME

8. The Statement of Accounts presents the Income & Expenditure Account in a statutory format which includes notional costs that have no impact on the Council Tax charge.

The table on page 4 of the Statement of Accounts presents the Council's revenue and income in a format that shows the net impact on the General Fund Balance, compared to budget. This shows that the revised budget assumed a total contribution from reserves of £3.6M.

However, during the year, the Council has made changes to the revised budgets which were reported to Cabinet in February 2010. Compared to this working budget, the Council's actual expenditure for the year is £8.5M under budget and this is made up as follows:

	£M
Reductions in Portfolio Spending	3.3
Net Increase in Investment Income	0.7
Reduced Revenue Contribution to Capital Spend	1.5
One off Fleming Case Income (HMRC)	2.7
Unspent Contingencies	0.3
Re-phasing of Project Costs (Funded from within the Revenue Development Fund)	0.2
Other Variations	(0.2)
Total	8.5

9. Against this are requests to carry forward budget of £1.5M which will be subject to review before being submitted to Council for consideration. Further draws on the overall favourable position of £8.5M (subject to approval by Full Council) include:

- Revenue Development Fund (£110,000) –In recognition of the fact that there are uncertainties in relation to timing and speed of progress of complex and strategic projects, the funding for these revenue developments has been placed into a Revenue Development Fund from 2009/10 to enable the Council to retain flexibility in funding. The outstanding funding at the end of 2009/10 is £230,700 and It is proposed that £110,000 of this under spend is carried into 2010/11 and added to the Revenue Development Fund.
- Unspent Contingency (£25,000) – The general contingency of £250,000 was not required in 2009/10. However, as part of the 3rd Quarter Financial and Performance Monitoring report which went to Cabinet on 15th February 2010, it was approved that £25,000 of the unspent amount could be utilised to replace the windows at the Cobbett Road Library. This expenditure will be incurred in 2010/11.
- Organisational Development Reserve (£2,000,000) – Every year as part of the outturn position officers review the funding within the strategic reserve to deal with organisational change. It is proposed this year, given the overall under spend, to contribute an additional £2.0M into the Organisational Development Reserve which is used for restructuring, re-training, redeployment and redundancy costs in future years.

- Efficiency Programme (£700,000) – The Efficiency Strategy was approved by Council on 17th February 2010. The aim of the Efficiency Strategy is to ensure a robust and co-ordinated approach to determining the programme of change which will deliver fundamental changes in the ways the Council works, supporting its vision to become more customer focused by delivering services more efficiently using high quality data to make better decisions. The primary objective of the programme is to reduce complexity and costs through focus on customer outcomes, simplification and standardisation. In order to help provide capacity and investment where required to take these major pieces of work forward, it is proposed that £700,000 of the under spend from 2009/10 is set aside for this purpose to be allocated by the Efficiency Programme Board on a business case basis.
- Accommodation Reserve (£1,250,000) – Full Council has agreed to automatically carry forward any surplus/deficit on the central repairs and maintenance budget at year-end subject to the overall financial position of the Authority. However as work associated with the implementation of the Accommodation Strategy (including the major works associated with the civic centre) is underway, it was felt that a more flexible approach to building related budgets was required in the future. Consequently, Cabinet approved the delegation of authority to the Executive Director of Resources following consultation with the Cabinet Member for Resources and Workforce Planning to allocate premises related resources (revenue and capital) in order to maximise their efficient use in respect of general repairs and maintenance, major works to civic buildings and the implementation of the accommodation strategy. Of the total under spend on the central repairs and maintenance budget and other related accommodation budgets of £1,612,600 it is recommended that £1,250,000 is added to the Strategic Reserve to ensure that this can be achieved.
- Pot Holes (£77,000) – The 2009/10 revised budget includes an assumed increase in the budget for highway maintenance of £500,000 in order to help address the deterioration in the road network following the severe weather conditions experienced in the early part of the year. Due to the virement limits, a maximum of £250,000 was initially approved by Cabinet on 1st February, with a further £250,000 approved by Full Council on 17th February for this purpose. Any funds not utilised in 2009/10 were to be carried forward into 2010/11.
- New Spending Initiatives (£187,000) – New spending initiatives requiring one-off funding of £187,000 in 2010/11 have been identified.

GENERAL FUND BALANCES

10. The General Fund balance stands at £19.8M and is used as a working balance and to support future spending plans. This compares to a balance of £15.2M at the end of 2008/09.

Commitments have been proposed which subject to approval by Council will leave an uncommitted value of balances totalling £5.2M in the medium term which is £0.7 M above the minimum level recommended by the Chief Financial Officer.

CAPITAL EXPENDITURE

11. In 2009/10 the Council spent £84.0M on capital projects. This was £14.8M less than the approved estimates, due to re-phasing of expenditure which will now be incurred in 2010/11.

PENSIONS

12. In 2009/10 the Council paid an employer's contribution of £22.5M into Hampshire County Council's Pension Fund. The employer's rate in 2009/10 was 18.6% of employees' pay. The rate set for 2010/11 is 19.1%.
13. The Council's share of the assets in the Hampshire County Council pension fund at 31st March 2010 was £421.2M, compared to its estimated liabilities of £830.2M, giving an estimated deficit on the Fund of £409.0M.

The deficit will be made good by taking into account anticipated changes in market conditions, levels of anticipated employee contributions and future employer contributions. The level of future employer contributions will be set at a level assessed by the scheme actuary following the 2010 review.

ACCOUNTING POLICIES

14. The Council's accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain, which is recognised by statute as representing proper accounting practices and meets the requirements of the Accounts and Audit regulations 2003.
15. The Accounting Policies are described in detail on pages 8 to 22 of the Statement of Accounts and cover such items as:
 - Fixed assets
 - Depreciation
 - Pensions
 - Accruals
 - PFI contracts
 - VAT
 - Leasing

The Audit Committee were asked to review the policies adopted and note the new policies adopted for 2009/10 under 'Accounting Issues and Developments' on page 6.

However, it should be borne in mind that the majority of the accounting policies adopted by the Council are in line with CIPFA's Statement of Recommended Practice (the SORP) and the Audit Committee would therefore be more likely to be interested if the Council were to depart from the recognised practice.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

17. The capital implications are considered as part of the Capital Outturn reports that are presented elsewhere on the Agenda..

Revenue

18. The revenue implications are considered as part of the Revenue Outturn reports that are presented elsewhere on the Agenda.

Property

19. There are no specific property implications arising from this report.

Other

20. N/A

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

21. Accounts and Audit Regulations 2003.

Other Legal Implications:

22. N/A

POLICY FRAMEWORK IMPLICATIONS

23. None. It should be noted that the Statement of Accounts is prepared in accordance with CIPFA's code of Practice on Local Authority Accounting in the UK.

SUPPORTING DOCUMENTATION

Appendices

1. None

Documents In Members' Rooms

1.	Draft Unaudited Accounts
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Background Documents

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

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Background documents available for inspection at: N/a

FORWARD PLAN No: N/A

KEY DECISION? NO

WARDS/COMMUNITIES AFFECTED: NOT APPLICABLE