

**REPORT TO:** Business Efficiency Board  
**DATE:** 12<sup>th</sup> August 2009  
**REPORTING OFFICER:** Operational Director, Financial Services  
**SUBJECT:** 2008/09 Draft Abstract of Accounts  
**WARD(S):** Borough-wide

## **1.0 PURPOSE OF REPORT**

1.1 The purpose of this report is to seek approval for the Council's 2008/09 Draft Abstract of Accounts, a copy of which is enclosed with the Agenda.

## **2.0 RECOMMENDED that;**

- (i) the 2008/09 Draft Abstract of Accounts be approved for submission to the Audit Commission; and**
- (ii) the Operational Director Financial Services be authorised, in consultation with the Chairman of the Business Efficiency Board, to make such changes as are necessary prior to the Abstract of Accounts being re-submitted to the next meeting of the Board.**

## **3.0 SUPPORTING INFORMATION**

### **Introduction**

- 3.1 The Abstract of Accounts (The Abstract) sets out the Council's financial performance for the year in terms of revenue and capital spending and presents the year-end financial position as reflected in the balance sheet.
- 3.2 The format of the Abstract is heavily prescribed by the Accounts and Audit Regulations and the Statement of Recommended Practice (SORP), which makes it a very technical document and not particularly easy to understand. Therefore the key elements are outlined below.
- 3.3 The Regulations have required further changes to the content and layout of the Abstract this year. These bring Local Authority accounts more into line with International Financial Reporting Standards (IFRS), for which full compliance is required from 2010/11. The changes are outlined on page 6 within the section titled 'Changes in Accounting Policies'.

### **Capital Direction**

- 3.4 Members will recall that as part of the 2007/08 audit of accounts process, it was agreed that specialist advice would be sought on the accounting treatment of the development costs of the Mersey Gateway project. As a result of that advice an application for capital direction was made in December 2008.
- 3.5 The Department for Communities and Local Government (DCLG) had not come to its final conclusion in sufficient time for the draft Abstract to be submitted to the Board at its meeting on 25<sup>th</sup> June 2009 and the meeting was therefore postponed. The District Auditor was kept informed of the reasons for the delay.
- 3.6 The Council were informed of the DCLG's final decision on 23<sup>rd</sup> July 2009. In essence, the DCLG agreed to capitalise that part of the Council's expenditure in 2008/09 that was not funded by grant. In addition, the grant was converted to a revenue grant. The consequential changes to the accounts as a result of this decision have now been incorporated into the draft Abstract.
- 3.7 Under the terms of the Regulations, the DCLG were unable to consider the application for capital direction for past expenditure on the project. Further work will therefore be necessary to amend prior year figures and an amended Abstract will be submitted to the Board in September.

#### **2008/09 Abstract**

- 3.8 In the Foreword on pages 1 to 6, the Chief Financial Officer (Operational Director, Financial Services) summarises the Council's financial performance for 2008/09, including revenue and capital spending.
- 3.9 In overall terms the Council has underspent its 2008/09 revenue budget by £281,000. This is after having made the £2m planned transfer to the Invest to Save Fund as set out in the Budget Strategy. The overall outturn report was presented to Executive Board Sub-Committee on 18<sup>th</sup> June 2009 and Departmental outturn reports were made available on the Council's Intranet. In addition, the Council approved the use of £350,000 from General Fund Balances when setting the 2008-09 revenue budget. Along with an additional £6,000 received in Government Grant, the net result is that General Fund Balances will be reduced by £63,000 to £6,921,000.
- 3.10 Capital expenditure was £38.5m compared with the revised programme of £44.8m. This represents 86% delivery of the revised programme, with the only significant slippage being on the ICT infrastructure programme, Widnes Waterfront and Castlefields regeneration schemes.
- 3.11 School balances have reduced by £0.8m to £8.3m, of which £3.9m relates to unspent Standards Fund grants which must be spent by 31<sup>st</sup> August 2009.

- 3.12 The Income and Expenditure Account on page 7 presents gross expenditure, gross income and net expenditure for 2008/09 along with a comparison to 2007/08, for each of the service groupings prescribed in the Accounting Code of Practice. These groupings do not necessarily relate directly to the Council's organisational structure, but are intended to provide consistency across all Councils.
- 3.13 The total net cost of services is adjusted by a number of appropriations, to give total net operating expenditure of £166m, which is funded from Government Grant and Local Taxpayers. Detailed notes relating to items within the Income and Expenditure Account are shown on pages 11 to 22.
- 3.14 The net balance is then taken into the Statement of Movement on the General Fund on page 8, where after adjustment for a number of items in accordance with the Regulations the resulting General Fund Balances carried forward of £6.921m is presented. Detailed notes relating to the adjusted items are shown on page 23.
- 3.15 The Statement of Recognised Gains and Losses on page 8, brings together all the gains and losses of the Council for the year in order to show the aggregate increase in its "net worth". In addition to the surplus generated on the Income and Expenditure Account, the Statement reflects other gains and losses during the year such as those relating to the revaluation of fixed assets.
- 3.16 The Council's Balance Sheet on page 9 sets out the Council's financial position as at 31st March 2009, along with the previous year's comparison. Detailed notes relating to items within the Balance Sheet are shown on pages 24 to 49. These include the movement in fixed assets, capital financing, contingent liabilities, leases, assets and asset valuation, investments, stocks, debtors, creditors, deferred capital receipts, provisions, reserves, deferred liabilities, contingent liabilities, borrowing, trust funds, pensions and financial instruments.
- 3.17 The Cashflow Statement on page 10 provides an overall analysis of the movements in cash and cash equivalents during the year. Detailed notes relating to items within the Cashflow Statement are shown on pages 49 and 50.
- 3.18 The Collection Fund and associated notes on pages 51 to 54, summarise the transactions in respect of the collection of Non-Domestic Rates and Council Tax, along with the distribution to General Fund and the precepting authorities.
- 3.19 The Group Accounts and associated notes on pages 55 to 60 present the consolidation of the Council's accounts with those of its related companies.

- 3.20 A Statement of Responsibilities appears on page 61 outlining the basis upon which the Abstract has been prepared. This is followed by the Annual Governance Statement on pages 62 to 72 (also reported elsewhere on the Agenda) and Accounting Policies on pages 73 to 84.
- 3.21 The Audit Commission uses the draft Abstract as the basis for undertaking the annual audit of accounts, for which their draft Audit Report and Certificate is shown on pages 85 to 88. This will be completed once the audit has been finalised.
- 3.22 A Glossary of Terms is presented on pages 89 to 101.

### **Next Steps**

- 3.23 As outlined in paragraph 3.7 above, further work will be necessary to prior year figures as a result of the capitalisation direction. This will be undertaken shortly and the necessary amendments will be made to the draft Abstract. It is still subject to external audit and once the audit is completed the Audit Commission will report their findings to the Board on 30<sup>th</sup> September 2009 and the Abstract will then be published.

## **4.0 POLICY AND OTHER IMPLICATIONS**

- 4.1 None.

## **5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

- 5.1 There are no direct implications, however, the revenue budget and capital programme support the delivery and achievement of all the Council's priorities.

## **6.0 RISK ANALYSIS**

- 6.1 The Council must have internal controls and processes in place to ensure that spending remains in line with budget.

## **7.0 EQUALITY AND DIVERSITY ISSUES**

- 7.1 None.

## **8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
Accounts and Audit Regulations	Accountancy Division, Municipal Building	Ed Dawson, Chief Accountant