

Subject: Annual Governance Statement
31st March 2010 and the
Statement of Accounts 2009-2010

Status: For Publication

Report to: Audit and Accounts Committee

Date: 29th June 2010

Report of: Financial Manager

Portfolio

Holder: Finance and Resources

Key Decision: Yes / No

Forward Plan General Exception Special Urgency

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to seek Member approval of the Draft Statement of Accounts for the year ended 31st March 2010. The Council has a statutory duty to approve the Accounts by 30th June 2010 and to present to the external auditor for audit.

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report impact directly on the following corporate priorities and associated corporate objective.
- Delivering Value for Money Services
The Statement of Accounts shows a General Fund surplus of £57k, following a transfer of £170k unspent 2009/10 budget to a new Directorate Investment Reserve. This comes in a year of economic turmoil, testament to the careful budget monitoring in place throughout the Council..

3. RISK ASSESSMENT IMPLICATIONS

- 3.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:
- Level of General Fund Reserves:* The Council must set a level of General Fund reserves based on an assessment of the potential risks to which the council is exposed. Through its Medium Term Financial Strategy review in February 2010, the Council acknowledged the

increasing risks in the general economic environment by increasing the suggested minimum level of General Fund balances to £1m. The General Fund Balance at the 31st March 2010 was £999k. However, this was following a total transfer of £233k to a new Directorate Investment Reserve, of which £170k was unspent 2009/10 budget under the carry-forward rules and the balance was unspent budget from previous years.

- *Contingent Assets and Liabilities:* An assurance will be submitted to the Members at the Committee to confirm the current position with regards to Contingent Assets and Liabilities.
- *External Audit:* The Council's accounts will now be subject to audit by the District Auditor. Final audited accounts will be submitted to this same committee on 27th September 2010.

4. BACKGROUND AND OPTIONS

4.1 The draft Statement of Accounts for 2009/10 is attached as Appendix 1, including the Annual Governance Statement 31st March 2010 on page 17.

4.2 As in previous years the accounts show a continuing improvement of the Councils financial position during 2009/10.

4.3 The Balance Sheet (and Note 31 to the Core Statements) shows the following balances as at 31st March 2010:

- GF £ 999k
- Total Earmarked Reserves £5,434k

4.4 The Balance Sheet (and Note 30 to the Core Statements) shows the following Earmarked Reserves as at 31st March 2010:

Earmarked Reserves	Balance 31 st March 2009 £000s	Income & Transfer to Reserves £000s	Utilised from Reserves £000s	Balance 31 st March 2010 £000s
Transport Reserve	645	-	-	645
Change Management Reserve	392	-	(63)	329
Budget Volatility Reserve	284	30	-	314
IT Reserve	83	-	-	83
Pension Fund Reserve	356	350	(350)	356
Performance Management	65	-	-	65
Regulatory Services Reserve	397	-	(33)	364
Economic Regeneration Reserve	879	16	(94)	801
Single Status Reserve	530	-	(100)	430
Health and Wellbeing Projects Reserve	156	30	(101)	85
Contaminated Land Reserve	98	-	(91)	7
Leisure Services Reserve	186	193	(150)	229
Leisure Facilities Reserve	661	250	-	911
Performance Reward Grant Reserve	-	478	(250)	228
Area Based Grant Reserve	-	258	(47)	211
Planning Reserve	-	286	(158)	128
Directorate Investment Reserve	-	233	-	233
Planning for Climate Change Reserve	-	23	(8)	15
	4,732	2,147	(1,445)	5,434

- 4.5 The Usable Capital Receipts Reserve reported in Note 29 to the Core Statements shows £296k received from the sale of Council assets and £148k received from other income, of which £140k was from Greenvale Homes in relation to right to buy receipts and £8k was former Council house mortgages. This Note also reports the £405k used to fund the capital programme in the year and the resulting balance at the end of the year of £1,354k. Given the new calculation guidance for Minimum Revenue Provision (which is a charge on Council Tax) these receipts are best retained for meeting future capital expenditure on short-life assets.
- 4.6 The Capital Programme Report at the back of the Statement of Accounts details a total spend of £5,515k in the year. Of this £2.420k was on Council-owned assets explained in Note 12 to the Core Statements and £3.095m was projects where the Council did not own any assets, such as the Elevate programme, which is explained in the Capital Financing Requirement at Note 13 and now termed '*Revenue Expenditure funded from Capital under Statute*'.
- 4.7 Cash and Liquid Resources – the £8m Investments on the Balance Sheet are made up of higher-rate deposit accounts with 2 UK high-street banks which have some restrictions on their access, but represent real cash available to the Council within the next 12 months. These accounts, and traditional 'cash at bank' have increased by £3.345m within the year to £9.225m. However, in March 2010 the decision was taken to acquire a loan of £4.6m from the Public Works Loans Board over 25 years at 4.49% in order to support the Council's plans following the Leisure Review. This loan is shown on the Balance Sheet in two parts - £184k repayments due within 12 months are shown as current liabilities, whilst the balance is a long-term liability. The overall changes in cash and liquid resources can be seen in greater detail in the Cash Flow Statement on page 25.
- 4.8 The Pension Fund year-end report has been received from the actuaries Mercers. The Rossendale Borough Council element of the Fund Liability has increased to £31.9m from £23.8m on 31st March 2009. Due to previous increases in the employer's contribution rate to 18.1% at April 2007 the current contribution level has been assessed as sufficient to meet this funding deficit over the statutory 22 years target. Further explanations can be found on pages 40 to 44 of the attached Statements. The next full review of the Pension Scheme is expected to be published in late 2010.
- 4.9 The Collection Fund is reported separately in the Statement of Accounts on pages 57 to 59 and shows an in-year deficit of £125k. However, changes to the treatment of the Collection Fund nationally, means that we now only reflect Rossendale Borough Council's proportions of the Fund in the main accounts. Hence a new line has been added to the Balance Sheet to show this value in the Collection Fund Adjustment Account. This Account started the year with £11k, but Rossendale retains around 16% of the in-year results reduced this to an overall deficit of £9k. Similar percentages of the outstanding arrears and accounts in credit can be seen in the main Debtors at Note 19 and Creditors at Note 21.

- 4.10 The Group Accounts, on pages 60 to 63, show the consolidation of the Council's accounts with those of Rossendale Transport Ltd and the Trust Funds held and administered by the Council. The Council's investment in Rossendale Transport Ltd, and the company's performance in 2009/10 are explained in detail in Note 16 the Core Statements.
- 4.11 Last year, in accordance with accounting practice, the Council's holding in Rossendale Transport Ltd was revalued to a 'fair value'. During 2009/10 there has been no material change to that value at £2.1m. The difference between this value and the £645k historic cost of the shares held must be shown in the Balance Sheet on page 24 in the 'Available-for-sale Financial Instruments Reserve'. This is a technical term and in no way suggests that the Council intends to dispose of its investment. Neither is this a cash-backed reserve available to support spending.
- 4.12 The Annual Governance Statement: Year-ended 31st March 2010 has been included in the attached Statement of Accounts (pages 17 to 20).

COMMENTS FROM STATUTORY OFFICERS:

5. SECTION 151 OFFICER

- 5.1 The financial considerations are included in the main body of the report.
- 5.2 The Statement of Accounts indicates further strengthening of the Council's financial position. By March 2010 the revenue accounts had generated in-year savings of £232k, a very a positive indication that operational services are continuing efforts to cut costs. Of this £170k has been added to budget under-spend brought forward to create a separate Directorate Investment Reserve, leaving the General Fund Reserve at 31st March 2010 just £1k under the new minimum target set February 2010.

6. MONITORING OFFICER

- 6.1 The Accounts and Audit Regulations 2003 state that the Council is required to approve the Statement of Accounts, prior to external audit, by 30th June 2009.

7. HEAD OF PEOPLE AND ORGANISATIONAL DEVELOPMENT (ON BEHALF OF THE HEAD OF PAID SERVICE)

- 7.1 There are no direct Human Resources implications.

8. CONCLUSIONS

- 8.1 That the draft Statement of Accounts, including the Annual Governance Statement: Year-ended 31st March 2010, as presented, are fit for Member approval.

9. RECOMMENDATION(S)

- 9.1 The Annual Governance Statement: Year-ended 31st March 2010 is approved.
- 9.2 That the draft Statement of Accounts 2009/2010 as presented, together with any agreed amendments, are submitted for audit by the District Auditor.
- 9.3 That the Statement of Accounts 2009/2010, including the Annual Governance Statement: Year-ended 31st March 2010 be put on deposit for public inspection on Friday 6th August until Friday 3rd September 2010 to allow for the regulatory 20 working days before the date appointed for the Public to question the Auditor (6th September 2010) or to make objections to the Accounts.

10. CONSULTATION CARRIED OUT

- 10.1 Portfolio Holder for Finance and Resources
- 10.2 Audit Commission

11. EQUALITY IMPACT ASSESSMENT

- Is an Equality Impact Assessment required ~~Yes~~ / No
- Is an Equality Impact Assessment attached ~~Yes~~ / No

12. BIODIVERSITY IMPACT ASSESSMENT

- Is a Biodiversity Impact Assessment required ~~Yes~~ / No
- Is a Biodiversity Impact Assessment attached ~~Yes~~ / No

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Background Papers	
Document	Place of Inspection
Final Accounts working papers	Finance Department, Futures Park, Room 222