

Cheltenham Borough Council
Council – 28 June 2010
Statement of Accounts 2009/10
Report of the Chief Finance Officer

- 1.1 The issue
- 1.2 The purpose of this report is to seek Members' approval of the Council's Financial Statements for 2009/10.
- 1.3 I therefore recommend that Council:
 - 1.3.1 Allow the chair of the Audit Committee to address the meeting to provide an update on the committee's consideration of the Statement of Accounts and the Annual Governance Statement for 2009/10.
 - 1.3.2 Approve the Statement of Accounts for 2009/10 at Appendix 1, including the associated transactions recommended as part of the out-turn report.
 - 1.3.3 Authorise the chair of the meeting, the Mayor, to sign the Statement of Accounts in order to formally signify the Council's approval of the accounts.
 - 1.3.4 Delegate to the audit committee to approve any amendments required at it's meeting on 29th September 2010 (paragraph 6.3).
 - 1.3.5 Delegate the sign off of future years Statement of Accounts by the Audit committee as per Section 7.
 - 1.3.6 Approve the capital determinations for 2009/10 at 8.3.1 to 8.3.4

1.4 Summary of implications

1.4.1 Financial

This report sets out the Financial Statement of Accounts for 2009/10.

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1.4.2 Legal

This report adopts relevant guidance issued in the Accounts and Audit Regulations 2003.

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1.5 Implications on corporate and community plan priorities

1.5.1 None identified.

1.6 Statement on Risk

1.6.1 There are no risks arising from this report which need to be brought to the attention of members.

2. Introduction

2.1 The Accounts and Audit Regulations 2003 set out the Government requirement for the annual statement of accounts to be approved and published earlier in the year in order to comply with the timetable for the production of Whole of Government Accounts. The target is for councils to approve the annual accounts by 30th June and for publication by 30th September each year.

2.2 The Financial Services Division has met the deadline for the preparation of accounts for approval by Council by 30th June 2010, including the consolidation of the accounts for Gloucestershire Airport and Cheltenham Borough Homes.

3. Background

3.1 In compliance with the above requirement, the Financial Statements include the following, attached at Appendix 1.

- Explanatory Foreword
- Statement of Accounting Policies
- Statement of Responsibilities for the Statement of Accounts
- Income and Expenditure Account
- Statement of the Movement on the General Fund Balance
- Statement of Total Recognised Gains and Losses (STRGL)
- Balance Sheet
- Cash Flow Statement
- Notes to the Core Financial Statements
- Housing Revenue Account
- Collection Fund
- Group Accounts
- Annual Governance Statement.

3.2 The Council has reviewed its accounting policies during the year and revised them in accordance with the 2009 SORP. There have been some minor changes to the requirements of the SORP for 2009/10 to ensure the presentation of Statement of Accounts complies with UK GAAP (Generally Accepted Government Accounting Principles) compliance. The main changes to the presentation of the financial statements are:

- The removal of the Collection Fund balance and the County Council and Police Authority's respective shares of council tax arrears and overpayments from the Council's balance sheet. This is to reflect the fact that that the Council acts as the agent of the County Council and Police Authority in collecting their shares of council tax, so the arrears and overpayments correctly belong on their balance sheets rather than the borough council's.
- Differences between the rate at which collection fund surpluses or deficits are released to the Council's General Fund Balance according to proper accounting practice and by statute are reflected in a new account, the Collection Fund Adjustment Account.
- Similarly, the removal of the arrears and overpayments of National Non-Domestic Rates (NNDR) from the Council's balance sheet, to reflect the fact that the Council acts as the agent of the government in collecting the tax. The only remaining debtor or creditor relating to NNDR on the Council's balance sheet is that representing the cash collected but not yet paid to the government, or overpaid to the government, at the balance sheet date.
- The inclusion of any amount of long term borrowing, including interest, due to be settled within 12 months of the balance sheet in current liabilities, rather than in long term liabilities.
- The removal of the notes on section 137 expenditure, the building control account, Business Improvement District schemes, and income under the Local Government Goods and Services Act, since none of these disclosures are required by accounting standards or legislation. The information provided by these notes is still available, however, and can be supplied on request to the Chief Finance Officer.

3.3 The layout and content of the financial statement of accounts is in accordance with the national standard format which assists in making inter-authority comparisons. This presentation differs from that used in the Council's own management accounts and documents circulated to members.

3.4 Regulations require that the Council combine the accounts of the Gloucestershire Airport Limited, of which both Gloucester City Council and Cheltenham Borough Council have a 50% share and those of Cheltenham Borough Homes. The group accounts therefore, combine both assets and liabilities of Cheltenham Borough Council, Gloucestershire Airport Limited and Cheltenham Borough Homes.

3.5 The Financial Statements are signed by the Chief Finance Officer in the capacity of Section 151 Officer.

4. Accounts and Audit Regulations 2003

- 4.1 In producing the statements for 2009/10, the Council has adopted the following parts of the Accounts and Audit regulations 2003 guidance.
- 4.2 Adoption of the timetable for approval of the Statement of Accounts by 30th June 2010 and publication of the accounts by 30th September 2010.
- 4.3 Requirement for the chair of the meeting to sign the statements in order to formally represent the Council's approval.
- 4.4 More active publication of the accounts. The accounts are published on the Council's website. In addition, a summary of the accounts and a key facts guide to the accounts are also available from the website.
- 4.5 Increase in the period of public inspection of the accounts to 20 working days. The inspection period will operate from 5th July to 30th July 2010 and a public notice to that effect has been placed in the Gloucestershire Echo.

5. Audit Committee

- 5.1 The Council's Audit Committee reviewed the Statement of Accounts for the previous financial year and the Annual Governance Statement at its meeting on 23rd June 2010.
- 5.2 The review specifically considered whether appropriate accounting policies have been followed and whether there were concerns arising from the draft financial statements. At a later date, the Audit Committee will consider the conclusion of the audit of the statements and consider whether there are any issues that need to be brought to the attention of the Council.
- 5.3 The Chair of the committee will update Council on the conclusion of this work based initially on the draft Statement of Accounts and ultimately on the final version of the Statement of Accounts in due course.

6. 2009/10 Audit

- 6.1 The audit of the accounts will commence in July 2010 and will be completed in order to meet the publication deadline of 30th September 2010, the Government's target for annual publication.
- 6.2 The auditor must appoint a date after which local government electors for the area to which the accounts relate may exercise their rights under regulation 15 and 16 of the Audit commission Act 1998 to question the auditor about or make objections to the accounts. The date appointed by the auditor is 19th August 2010.
- 6.3 Following completion of the audit, the auditor's report will be included within the final published version of the accounts. Whilst it is not anticipated at this stage that the auditor will require any amendments, any material changes will be the subject of a further report to the Audit Committee in compliance with the Accounts and Audit Regulations 2003. Further presentational changes may be made to the attached accounts before publication. In order to meet the publication deadline of 30th September, the Audit Committee may need to review and approve amendments to the statements following the audit. Given the timing of future council meetings, Council is requested to delegate to the Audit Committee to approve any amendments required at its meeting on 29th September 2010.

7. Future approval process

- 7.1** Section 10(4) of the Accounts and Audit regulations 2003 determine that the annual statement of accounts should be approved by resolution of a committee of the relevant body or otherwise by a resolution of the members of the body meeting as a whole i.e. the full council.
- 7.2** This council has historically recommended that the full council approve the statement of accounts. Since the establishment of the Audit Committee in 2006, the accounts have also been considered by the Audit committee first.
- 7.3** Now that the Audit Committee is well established and has experience of a fuller review and discussion of the statements, including presentations by the Section 151 and his team, it seems appropriate to consider whether the council approval process still continues to add value. The council is now the only district in the county which still seeks council approval of the accounts. Given the increasing complexity of the accounts, the volume of technical information contained in them and paper used to produce them, the Section 151 officer recommends that the approval of the accounts is now more appropriately undertaken by the Audit Committee. As such, it is suggested that the Audit Committee recommend that council delegate the approval of future statement of accounts to the Audit Committee.

8. Annual Governance Statement

- 8.1** The council has a statutory duty to prepare an annual governance statement (AGS) to be approved as part of the annual statement of accounts. The annual governance statement indicates how the council is complying with the code of corporate governance including internal control arrangements. The audit committee need to satisfy themselves that the AGS fairly reflects the arrangements within the council and that the suggested action plan will address the significant governance issues identified by the review.
- 8.2** Each March, assurance statements and evidence tables are issued to Assistant Directors and key officers for completion. The evidence tables act as internal control checklists which confirm/review the existence and adequacy of governance and control arrangements, and any significant absence of, or weakness in, the control. The areas covered by the checklist are not exhaustive and any other significant weaknesses must be reported in the Certificate of Assurance. Assistant Directors have the responsibility for the completion of the Certificates, which are signed off by the Assistant Director and lead Cabinet member.
- 8.3** Once complete, the evidence tables and the Certificates are reviewed by the Assistant Chief Executive, Audit and Assurances Service Manager and Policy Officer (Governance) to identify need for governance or control improvement to be included in the action plan for the forthcoming year. They also draw on evidence from internal and external audit reports, and other evidence sources. The annual governance statement is considered by the board of directors and the Corporate Governance Group before it is submitted to this committee ahead of its consideration by Council for approval as part of the Statement of Accounts.
- 8.4** The Audit Committee has had the opportunity to understand in more detail the review process and assure its members that the evidence has been considered in a robust manner. The Chair of the committee will update Council on the conclusion of this work.

9. Capital determinations for the financial year 2008/09.

- 9.1 Under provisions in the Local Government and Housing Act 1989, the Council must charge all expenditure to a revenue account unless it has the authority to treat it as capital expenditure. This authority can be obtained by financing such expenditure from capital grants, credit approvals or usable capital receipts.
- 9.2 As part of the preparation of the Statement of Accounts, Council officers make decisions in respect of the methods of financing capital expenditure incurred during the year. In accordance with recommended practice these decisions should be reported to Council in the form of capital determinations
- 9.3 The Council must state the total capital expenditure for 2009/10 it has financed from such sources and the level of minimum revenue provision as set out in the table below:

	£000's
8.3.1 Section 42(2) (g) - Capitalisation of expenditure which is reimbursed or met out of money provided by any other person	1,739
8.3.2 Section 56 (1) (a) - The use of credit approvals to authorise capitalisation of expenditure	4,430
8.3.3 Section 60 (2) (a) - Application of usable capital receipts to meet expenditure incurred for capital purposes	414
8.3.4 Section 63 (1) - Minimum Revenue Provision (MRP) set aside in the revenue accounts. *	441

* The Minimum revenue provision (MRP) is the prescribed amount that the Council must set aside from its revenue account for debt repayment each year.

10. Consultation

- 10.1 Audit committee, Assistant Chief Executive, Cabinet Member for Community Development and Finance.

Background Papers

Statement of Accounts

District Audit Working paper files.

Statement of Recommended practice (SORP) 2009

Best Value Accounting Code of Practice.

Accounts and Audit Regulations 2003

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Accountability

Cabinet Member for Community Development and
Finance

Scrutiny Function

Audit Committee