Supplementary Papers to Accompany the Statutory Statement of Accounts

Recommendation of the Audit and Governance Committee

1. The Audit and Governance Committee considered the draft Statutory Statement of Accounts on Monday 23 June. At that meeting Members raised a number of questions and answers were provided to all of these questions apart from one. The Audit and Governance Committee decided to recommend adoption of the Statutory Statement of Accounts subject to the provision of a reasonable explanation to the outstanding question.

2. The outstanding question relates to note 19 on Debtors and Prepayments (page 124 of the main agenda), and is why has the figure for Sundry Debtors increased from £2.9 million to £5.6 million. This increase was caused in part by a mis-classification and £1.68 million needs to be re-classified within note 19 as Government Departments and Other Local Authorities. This heading has now increased by £0.86 million due to the Council being owed a substantial amount from the NDR Pool as there were a couple of large rating reductions to supermarkets. This was however offset somewhat, as in 06/07 the council was owed £0.36 million in Housing Benefit Subsidy by the Department of Work and Pensions (DWP) however in 07/08 the Council owed the DWP £0.21 million. This leaves an increase of £1.18 million in Sundry Debtors due to Local Authority Business Growth Incentive Scheme (LABGI) grant relating to 2007/08 of £0.45 million remaining unpaid at 31 March, a refund of concessionary fares payments from the County Council of £0.17 million and £0.53 million within the Councils sundry debt system. The increase in sundry debts relates mainly to outstanding commercial/industrial estate rents and Housing Benefit overpayments.

Amended Pages for the Statutory Statement of Accounts

1. The first page in need of amendment is page 102 on the agenda (page vii) of the accounts. Discussion at the Audit and Governance Committee made it clear that the phrase "the disabled" in the second line of that page was inappropriate and needed to be replaced with the phrase "eligible disabled people".

2. As a result of the various other changes detailed below the Balance Sheet page 113 (page 10) has been amended. The totals shown at the bottom of the Balance Sheet are unchanged but various items have moved within the headings.

3. Due to the requirements of the Financial Reporting Standard 26 money owed to the Council in investment interest now has to be added to the value of the related investment and not shown within debtors. This has the effect of increasing the value of long term investments shown in note 16 page 123 (page 20) by £0.28 million and the value of short term investments shown on the face of the Balance Sheet by £0.62 million. The value of Debtors Note 19 page 124 (page 21) has, as a result of this, reduced by £0.9 million and the penultimate line within the note has therefore been deleted.

4. The value of Debtors Note 19 page 124 (page 21) has reduced by £0.78 million, due in part to the reclassification of investments highlighted in paragraph 3 above but also an addition from creditors of £0.12 million.

5. The value of Creditors Note 20 page 124 (page 21) has increased by £0.12 million due to an item that should have been included in Debtors being wrongly set against accruals within the aforementioned Creditors note.

6. A number of accounting changes have been introduced with the introduction of the Revaluation Reserve. The purpose of the Revaluation Reserve is to hold the net revaluation differences between the asset values in the Balance Sheet at 31 March 2007 and those at 31 March 2008. The final entry moving the difference between the depreciation based on the Balance Sheet value and that based on historic cost to the Capital Adjustment Account had not been made. The effect of this is to reduce the Revaluation Reserve Note 25 page 126 (page 23) by £0.68 million and increase the Capital Adjustment Account Note 27 page 127 (page 24) by the same amount. This change also affects the Movement on Reserves Note 39 page 133 (page 30) line 1 and 2.

7. There have been some changes to the way financial instruments are accounted for and a large number of additional disclosures as a result. The only items this authority has that fall within the definition of financial instruments are loans and receivables more specifically investments made with financial institutions. All these have to be shown in the Balance Sheet at amortised cost which is defined as the value of the investment plus accrued interest. There is however a requirement to disclose the ‘fair value’ of those assets which is determined by reference to the Public Works Loan Board (PWLB) redemption rules. This provides a good approximation for the fair value of a financial instrument. An additional paragraph has been added to Financial instruments Note 40 page 134 (page 31) to reflect this.

8. The timetable for the production and publication of the Statutory Statement of Accounts makes it difficult to complete all the necessary checking prior to publication. This position is made worse where accounting and disclosure requirements have changed during the year. Several of the changes set out above are of a minor nature but it is important that the best possible set of accounts are approved by Council and presented for audit. If the external auditor was left to recommend the changes set out above there could be an adverse impact on the Council’s use of Resources assessment.