

# ***Report to the Council***

**Subject: Statutory Statement of Accounts 2008/09**

**Date: 30 June 2009**

**Supplementary Report of: Director of Finance and ICT**

**Item: 12**

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## **Recommendation of the Audit and Governance Committee**

1. The Audit and Governance Committee considered the draft Statutory Statement of Accounts on Monday 22 June. At that meeting Members raised a number of questions and answers were provided to all of those questions apart from two. The Audit and Governance Committee decided to recommend adoption of the Statutory Statement of Accounts subject to the provision of reasonable explanations to the outstanding questions.
2. The first outstanding question relates to note 21 on Provisions (page 95 of the main agenda), and is - ***What is the potential total value of the claims associated with the £110,500 of potential excesses?*** As many of the claims are still to be settled it is difficult to provide an accurate value, but at this time the potential total value is estimated as £700,000. It is worth noting that the difference between £700,000 and the £110,500 of potential excesses is covered by the Council's insurance policies.
3. The second outstanding question relates to note 43 on Risks Arising from Financial Instruments (page 111 of the main agenda), and is - ***What is the missing text at the end of "Interest Rate Risk"?*** This note states "The Council is exposed to interest rate movements on its investments, and has a number of..." the missing text is "strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. As part of this strategy, the Council sets the prudential indicators which provide maximum and minimum limits for fixed and variable interest rate exposure."

## **Amended Pages for the Statutory Statement of Accounts**

4. The first page in need of amendment is page 79 on the agenda (page 7 of the accounts). Where an asset has previously had its value increased by a revaluation an amount will have been credited to the Revaluation Reserve. When the asset has a downward revaluation the amounts are first debited to the Revaluation Reserve and it is only the amount by which the downward revaluation exceeds the previous positive revaluations that is charged to the Income and Expenditure Account. Here the final checking of the entries has highlighted that initially the surplus on the Revaluation Reserve had not been fully utilised. The necessary amendments have been made and have the

effect of reducing Gross Expenditure and the Deficit for the year by £1.1 million. Although changes in asset values are reversed before reaching the movement on the General Fund so this change does not alter the actual surplus for the year shown on the Statement of Movement on General Fund Balance.

5. Due to the change set out above the Statement of Movement on General Fund Balance page 80 (page 8), has also been updated. Whilst the surplus has not changed the two figures above it both change by £1.1 million and off-set each other.
6. The Statement of Total Recognised Gains and Losses page 81 (page 9) has been amended for the change outlined above and also the correction of a misclassification between lines. The total shown at the bottom of the statement is unchanged but the top line reduces by £1.1 million, the second line reduces by £0.8 million, the third line is unchanged and the fourth line increases by £1.9 million.
7. The accounting entries do not alter the totals at the bottom of the Balance Sheet page 82 (page 10) but do change two of the figures listed. The Revaluation Reserve decreases by £0.9 million to £3.4 million whilst the Capital Adjustment Account increases by £0.9 million to £596 million.
8. Note 11 Impairment Charges on page 88 (page 16) details the amount charged to the Revaluation Reserve and the Income and Expenditure Account and so has also been updated. The amount charged to the Revaluation Reserve increases £1.1 million to £97.873 million and the amount charged to the Income and Expenditure Account reduces by £1.1 million to £31.081 million.
9. Note 13 Statement of Movement on the General Fund Balance on page 91 (page 19) is similarly effected, as the Impairment of Fixed Assets figure is reduced by £1.1 million to £31.081 million. This reduces the total at the bottom of the note from £41.481 million to £40.369 million.
10. The next note effected is Note 27 Revaluation Reserve on page 97 (page 25). As stated in 8 above the Impairment of Fixed Assets figure increases by £1.1 million to £97.873 million, this is off set by a £200,000 increase in the Revaluation Adjustment. The combined effect is a reduction in the balance of £0.9 million to £3.4 million.
11. Changes are also necessary to Note 28 Capital Adjustment Account on page 98 (page 26) and again move the balance by £0.9 million to £596 million.
12. Note 39 Movement on Reserves on page 107 (page 35), details the changes in reserves during the year and so has been updated for the amendments to the Revaluation Reserve and the Capital Adjustment Account.
13. Note 43 Risks from Financial Instruments on page 111 (page 39) has had the missing text detailed at 3 above inserted.
14. The assets effected by the entries detailed above are largely held within the Housing Revenue Account and so pages 114 to 116 and 120 (pages 42 to 44 and 48) have also been updated for the revised impairment figures.

15. The Collection Fund on page 121 (page 49) has had both the Non Domestic Rate income figure and the expenditure figure of Payment to the Pool increased by £120,000. These changes have no net effect on the deficit for the year or the Balance Carried Forward.