

**Open Report on behalf of Pete Moore, Executive Director (Resources and Community Safety)**

Report to:	<b>County Council</b>
Date:	<b>18 June 2010</b>
Subject:	<b>Draft Statement of Accounts 2009-2010</b>

**Summary:**

This report:

- Describes the Executive's proposals on the carry forwards of over and under spendings into the current financial year;
- Sets out Prudential Indicators for 2009-10; and
- Presents the Council's draft Statement of Accounts 2009-10.

**Recommendation(s):**

The County Council is recommended to:

1. Agree the proposed carry forwards of over and under spendings and transfers to reserves summarised in Table A of the report;
2. Note the Prudential Indicators for 2009-10; and
3. Approve the draft Statement of Accounts for 2009-10, including the Annual Governance Statement.

**1. Background**

**Carry forward of over and under spendings**

The Council's policy on carrying forward over and under spendings as set out in its Financial Strategy is that:

- All under and overspendings on service revenue budgets of up to 1% will be carried forward without exception.
- The use of all underspendings on service budgets in excess of 1% will be considered by the Executive and decided by the full Council.

- The means of funding all overspendings on service budgets in excess of 1% will be considered by the Executive and decided by the full Council.
- All under and overspendings on capital budgets and on the dedicated schools budget will be carried forward.

The Executive proposes that these policies are followed for under and over spendings in 2009-10 with the following exceptions:

- unspent new development funding ( £2.572m ) is carried forward in addition to the 1% limits;
- overspending on the highways capital programme as a result of blight costs associated with Lincoln Southern bypass ( £0.280m ) is not carried forward;
- overspending on the fire and rescue service for the unfunded co-responder activity ( £0.300m ) and for the provision for the costs of a settlement of a case brought under the Part Time Worker (less favourable treatment) Regulations ( £0.292m ) is not carried forward;
- underspending on the shared services arrangements for Procurement Lincolnshire ( £0.581m ) and Legal Shared Services ( £0.526m ) is carried forward in addition to the 1% limits; and
- overspending on the Coroners' Service which arose as a result of Trusthorpe Long enquiry ( £0.116m ) is not carried forward.

#### Transfers to and from reserves

The Council has a number of reserves earmarked for specific purposes. Transfers are made to or from these earmarked reserves at each year end dependent on actual expenditure and income during the year. The Executive proposes that these transfers are made in the normal way. This will include:

- transfers to reflect the carry forward of over and underspendings; and
- a variety of transfers to or from other earmarked reserves reflecting actual expenditure and income in 2009/10.

The Council's overall budget, including school budgets, was underspent by £26.413 million in 2009/10. The transfers to and from reserves resulting from the proposals described above are shown in TABLE A below

**TABLE A – Transfers to and from reserves**

	£	£
Schools Carry Forward		15,951,358
<b>Other Services Carry Forwards</b>		
<i>Central Services within the Dedicated Schools Budget</i>	2,673,013	
<i>Children's Services</i>	744,394	
<i>Communities</i>	-1,231,358	
<i>Development</i>	-219,038	
<i>Resources</i>	2,146,008	
<i>Chief Executive's</i>	445,009	
<i>Capital Financing Charges</i>	72,190	
<b>Total Other Service Carry Forwards</b>		<b>4,630,218</b>
New Development Funding		2,572,765
Capital Programme		1,956,588
Adverse Weather		-219,038
Insurances		448,578
Waste Management		-48,094
School Boarding		33,493
School Sickness Insurance Scheme		79,566
Health and Wellbeing Reserve		905,695
Purchase of Museum Exhibits		4,755
Public Service Agreement Reward Grant		-151,191
General Reserve		248,000
<b>Total</b>		<b>26,412,693</b>

This sets earmarked reserves at the amounts shown in TABLE B below:

**TABLE B – Earmarked Reserves**

<b>EARMARKED RESERVES AT 31 MARCH 2010</b>	<b>£'000</b>
Schools Carry Forward	13,559
Other Service Carry Forwards	4,630
Development	3,466
Capital Programme	3,639
Waste Disposal	19,742
Health and Wellbeing	7,652
Insurances	1,210
Safer Communities Commissioning Project	1,495
Positive Futures	500
Invest to Save	185
School Boarding	254
School Sickness Insurance Scheme	575
Children's Fund	16
Purchase of Museum Exhibits	139
Carbon Management	241
Public Service Agreement Reward Grant	4,295
Objective 2	438
<b>Total</b>	<b>62,036</b>

## General Reserves

The Council's policy on general reserves is that they will be maintained within a range of 2.5% to 3.5% of its annual budget requirement.

The impact of actual expenditure and income in 2009/10 and the proposals on the carry forward of over and under spendings is that the general reserves at 31 March 2010 are £14.9m or 3.4% as shown in TABLE C below.

**TABLE C – General Reserves**

<b>GENERAL RESERVES AT 31 MARCH 2010</b>	<b>£'000</b>
Balance at 1 April 2009	14,908
Planned contribution to/use (-) in year	-248
Proposed contribution to/use of (-) reserves	+248
Balance at 31 March 2010	14,908
Balance as a % of total budget	3.4%

## **Prudential indicators**

The Local Government Act 2003 gave authorities freedoms to borrow what they need to fund their capital programmes. The Act requires Local Authorities to comply with CIPFA's Prudential Code for Capital Finance in Local Authorities. The Code provides a framework to ensure that Local Authorities' capital programmes are affordable, prudent and sustainable and that treasury management decisions are taken to support this.

In complying with the Code the indicators for 2009/10 were approved by County Council on 20 February 2009 along with the budget and council tax for that year. In accordance with the Code, the Executive Director has been monitoring the actual performance against the targets set and would have reported any issues of concern to members had there been a need to. The County Council should also be informed of the actual position compared with that estimated for any given year after the year end. APPENDIX A provides details of this comparison for 2009/10. It shows that none of the indicators have been exceeded during the year and there have not been any breaches of limits set by the Council.

## **Draft Statement of Accounts 2009-10**

The Council is required to approve the Council's Statement of Accounts for 2009/10 by 30 June 2010.

The draft Statement of Accounts 2009-10 is attached at APPENDIX B. Councillors may wish to concentrate on the Explanatory Foreword to the Statement of Accounts which attempts to provide a straight forward overview of the Council's financial health and performance.

Included in the draft Statement of Accounts is the Annual Governance Statement that provides information that the Council's governance framework is operating as intended (please note this part of the Statement of Accounts is to follow after the Audit Committee on 14 June 2010).

The Council is required to make arrangements to prepare a Statement of Accounts which give a 'true and fair' view of the financial position of the Council and of the Pension Fund as at 31 March 2010 together with a record of income and expenditure for the year ended 31 March 2010.

The draft Statement attached has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. The accounting policies on which the statements are based, the format of the statements and the detailed disclosure notes are specifically prescribed in the Code of Practice. Councillors, therefore, have little discretion to influence the detail and content of the statement. However, councillors do have a responsibility for corporate governance including robust scrutiny of the Council's accounts and financial position.

For this reason, the Audit Committee, prior to this County Council meeting, scrutinised the Statements at the meeting on 14 June 2010. Due to the timing of the County Council meeting it has not been possible to include comments arising from this scrutiny within this paper. These comments will either be circulated immediately after the Audit Committee or tabled at the 18 June Council meeting.

The statement is subject to external audit and the Council's external auditor (The Audit Commission) will provide an opinion on whether the accounts give a 'true and fair' view of the Council's financial position for 2009-10.

It is worth noting that this is the final year that the Council's statement of accounts will be prepared on this basis (Code of Practice on Local Authority Accounting in the United Kingdom). From 2010-11 onwards the Council's statements will be required to be prepared under International Financial Reporting Standards to bring it more in-line and enable comparison with other public sector organisations, the private sector and the rest of the world.

## **2. Conclusion**

The draft Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting. It incorporates the Executive's proposals on the carry forward of over and underspendings.

The draft will be considered by the Audit Committee on 14 June. Comments from this committee will be reported to the County Council. The draft Statement of Accounts need to be approved by the County Council and will then be subject to external audit.

### **3. Legal Comments:**

With regard to recommendation 1 the Council's Financial Regulations provide that the use of all under-spending on service budgets in excess of 1% will be considered by the Executive and decided by the full Council. The means of funding all overspendings on service budgets in excess of 1% will be considered by the Executive and decided by the full Council.

With regard to recommendation 2 under Section 3 of the Local Government Act 2003 the authority must determine and keep under review how much money it can afford to borrow. Reporting on the Prudential Indicators assists the Council in discharging this function.

With regard to recommendation 3 the Accounts and Audit Regulations 2003 require that the Statement of Accounts are prepared in accordance with the 2003 regulations and certified by the responsible financial officer as giving a true and fair view of the financial position of the Council at the end of 2009-10. The Statement of Accounts must then be approved by a resolution of a committee of the Council or by a resolution of the members of the Council as a whole. Following approval, the Statement of Accounts must be signed and dated by the person presiding at the committee or meeting of the Council approving the Statement of Accounts, therefore the approval of the Statement of Accounts falls within the remit of the full Council.

### **4. Resource Comments:**

The Council has a sound financial base from which to manage the challenges of a difficult medium to long term outlook for public sector finances.

The Statement of Accounts 2009-10 has been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom and is required to be approved by the Council before 30 June 2010. The external audit opinion on whether or not the statement presents a true and fair view of the financial position will be received before 30 September 2010.

The Audit Committee has scrutinised the Statement of Accounts at its meeting on June 14 2010.

### **5. Consultation**

#### **a) Has Local Member Been Consulted?**

n/a

#### **b) Has Executive Councillor Been Consulted?**

Yes

### c) Scrutiny Comments

The Value for Money Scrutiny Committee commented on the Council's financial performance in 2009-10. It "noted with concern the revenue overspend in the Adult Social Care budget and noted the proposal to carry forward £1.4m overspending into the current year".

### d) Policy Proofing Actions Required

n/a

## 6. Appendices

These are listed below and attached at the back of the report	
Appendix A	Prudential Indicators for 2009-10
Appendix B	Lincolnshire County Council draft Statement of Accounts 2009-10

## 7. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Report to the Executive 1 June 2010 - Review of Financial Performance 2009-10	Executive Director of Resources and Community Safety
Code of Practice on Local Authority Accounting in the United Kingdom 2009 (A Statement of Recommended Practice)	Executive Director of Resources and Community Safety
Best Value Accounting Code of Practice	Executive Director of Resources and Community Safety
Financial Strategy	Executive Director of Resources and Community Safety

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