



*St Edmundsbury*  
BOROUGH COUNCIL

# C138

## **Performance and Audit Scrutiny Committee 20 September 2011**

### **2010/11 Statement of Accounts**

#### **1. Purpose of Report**

- 1.1 This report provides an overview of the 2010/11 Statement of Accounts (attached), and advises members of the background to the accounts and the procedure for approving them.
- 1.2 The Performance and Audit Scrutiny Committee has responsibility for receiving and scrutinising the Statement of Accounts, prior to its approval by Full Council, and the Committee is responsible for raising any concerns arising from the scrutiny of the financial statements with the Council.
- 1.3 The full Council meeting at which the Statement of Accounts will be considered is on 27 September 2011.

#### **2. Background – Audit, Approval and Inspection of Accounts**

- 2.1 As reported to this Committee on 26 April 2011 (report C82 refers), changes have been made to the statutory requirements for the reporting and approval of the Council's annual financial statements. In previous years (in accordance with the 2003 Accounts and Audit Regulations) Members of this Committee were required to approve the draft annual accounts prior to their submission to the Council's external auditors by 30 June each year. Requirements for the approval of the accounts have been changed by the Accounts and Audit Regulations 2011. The Council is still required to submit draft accounts for external audit review by 30 June each year, but Member approval is not now required until the audit has been concluded. This brings councils into line with arrangements within the private sector where directors and board members would be made aware of the findings of the audit prior to their approval of the accounts.
- 2.2 The Audit Commission (the Council's appointed external auditors) commenced the audit of the Statement of Accounts in July 2011, with a view to its completion prior

to the 30 September 2011 statutory deadline for publication. The results of the Audit Commission's review of the accounts are provided in the Annual Governance Report, which is included on this Committee's agenda. At the time of writing, the Audit Commission had not finalised its audit. Therefore, the attached draft accounts have been amended (as appropriate) to take on board issues raised by the audit process up to the date of distribution. Further changes may therefore be required prior to full Council approval of the Statement of Accounts on 27 September 2011. Presentational and non material changes may still therefore be required to the attached accounts before their formal publication. Any material changes to the figures contained within the statements will be reported to full Council.

### **3. Changes to Accounting Policies in 2010/11 - International Financial Reporting Standards**

- 3.1 The 2007 HM Treasury Budget report announced that UK Public Sector organisations would in future be required to adopt International Financial Reporting Standards (IFRS) in the presentation of their annual accounts. The attached 2010/11 accounts are the first to have been produced on an IFRS basis.
- 3.2 The production of IFRS compliant accounts, including the production of comparative financial statements for 2009/2010 on an IFRS basis, has represented a significant amount of additional work, particularly for the Financial Services and Property Services teams. In implementing IFRS the Financial Services team has worked closely with the Council's external auditors, the Audit Commission, which has monitored progress on the Council's IFRS preparations and reviewed key stages in this project.
- 3.3 Previous years' financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP). There are a number of areas in which the accounting treatment differs significantly between UK GAAP and IFRS. The main areas of change applicable to this Council are as follows:
- a. **Presentation of Accounts** - there have been considerable changes to the presentation of the Statement of Accounts, requiring changes to the format of the Statements together with additional disclosure requirements.
  - b. **Accounting Policies** - have been reviewed in the light of IFRS requirements.
  - c. **Restatement of Opening Balances** - the closing balance sheet for 2008/09 and 2009/10 comparative figures have been restated on an IFRS basis.
  - d. **Accounting for fixed assets** - IFRS involve significant changes in the way the Council accounts for its fixed assets, including changes in the way in which assets are classified and valued within the accounts. IFRS also require that larger assets are broken down into their major components, each of which need to be accounted for as separate assets.
  - e. **Accounting for leases** - changes have been made in the classification and accounting for leases, including a requirement to identify and separately account for leasing arrangements that may be embedded within major contracts.

- f. **Employment benefits** - IFRS require adjustments to be made to the accounts to reflect outstanding employee annual leave entitlements that are carried forward from one financial year to another.
  - g. **Grants and Contributions** - grants and contributions received by the Council are required to be reclassified, and separately accounted for, dependent upon the nature of any outstanding conditions attached to their award.
  - h. **Financial Instruments** - new definitions apply to the classification of cash and cash equivalent balances.
  - i. **Segmental reporting** - IFRS require additional financial disclosures in respect of the key business segments of the organisation which have to be identified on the same basis that is used for internal reporting.
- 3.4 Further details regarding the impact of IFRS implementation upon the Council's 2010/11 Statement of Accounts are provided on pages 23 to 26 of the attached accounts (Note 1 - Transition to International Financial Reporting Standards). It should be noted, however, that whilst the move to IFRS accounting has significantly affected the Council's financial statements, the Government has introduced statutory mitigations to ensure that changes in accounting treatment necessitated by IFRS will not impact upon the level of Council Tax (i.e. the basis on which the Council's budgets are calculated will not be affected by changes in the financial accounting requirements). Details of the adjustments between the IFRS accounting basis and the statutory funding basis for local authorities are provided on pages 32 to 34 of the Statement of Accounts (Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations).

#### **4. Financial Highlights – 2010/11**

- 4.1 The 2010/11 financial year was marked by continued financial uncertainty, which has had a range of impacts on the Council. A full commentary on the financial performance of the Council can be found in the Financial Commentary on pages 6 to 13 of the Statement of Accounts, highlights of which are provided below.
- 4.2 **Revenue Expenditure** - The Council set a net expenditure budget for 2010/11 of £13.895m, including a planned use of reserves totalling £0.204m. The actual net expenditure for the year was £13.048m, resulting in a budget underspend for the year of £0.847m. Details of major variances are set out on page 8 of the Statement of Accounts. Therefore, instead of drawing £0.204m from our reserves, we are able to increase the General Fund balance by £0.643m, as set out in recommendation 10.1 b below.
- 4.3 **Capital Expenditure** - The Council is coming to the end of a significant programme of investment in capital projects. The original capital budget for 2010/11 was £16.894m, but this was revised upwards towards the end of the financial year to £17.498m. This upwards revision was primarily made as a result of a supplementary increase in the budget for the Apex. Actual capital spending during 2010/11 amounted to £7.651m. Details of the major variances on the capital programme are provided on page 10 of the Statement of Accounts.

- 4.4 **Usable Reserves** - The Council has a track record of sound financial management. An integral part of our financial strategy is to ensure that our usable reserves are maintained at a healthy level. We maintain a number of reserves, which are split into two main categories; revenue reserves (the General Fund and Earmarked reserves) and unallocated capital reserves (i.e. Capital Receipts Reserve and Capital Grants Unapplied Reserve). During 2010/11 the total value of the Council's usable revenue and capital reserves decreased from £28.100m (at 1 April 2010) to £24.125m (at 31 March 2011), a net reduction of £3.975m. Further details regarding the movement on reserves during the year are provided on page 18 of the Statement of Accounts.
- 4.5 **Pension Fund** - The Local Government Pension Scheme is a national statutory scheme which, for Suffolk authorities, is administered by Suffolk County Council. Annual scheme valuations based on International Accounting Standards (IAS 19) are undertaken for the purposes of the Council's annual financial statements. Owing primarily to substantial reductions in the value of pension fund investments, as at 31 March 2010, the Council's IAS19 pension valuation disclosed an overall fund deficit of £50.77m. However, the 31 March 2011 IAS19 valuation shows a marked improvement in the fund's position, owing partly to the Chancellor's announcement in the June 2010 emergency budget that public sector pension increases will in future be linked to the Consumer Price Index (as opposed to the higher Retail Price Index) and also to improved projections on investment returns. As a result of these factors, the projected Fund deficit has decreased from £50.77m to £21.53m. It must be emphasised that these changes in the Pension Fund's reported IAS19 deficit position have no immediate impact on the General Fund or the Borough's council tax payers, as the contribution rates to the Suffolk County Council pension fund are determined by a separate triennial actuarial review and not the IAS19 valuations. Further details regarding the Council's pension fund performance are provided on pages 12 to 13 of the Statement of Accounts.
- 4.6 **Treasury Management** - There has been no let up in the historically low interest rates which have significantly impacted the Council's investment income. Budgeted investment income for 2010/11 was £566,000 (£14.91 per Band D property), representing a target investment rate of 1.5%. Actual investment income achieved during the 2010/11 financial year was £541,825, an underachievement in investment income of £24,175. This represented an average rate of return for the year of 1.28%.

## 5. **Environmental Reporting**

- 5.1 This is the second year that we have included a section on Environmental Reporting within the Statement of Accounts, which sets out our performance against a range of environmental targets. St Edmundsbury has a strong track record in sustainability and we are proud to be one of the first councils in the country to include a report on our environmental performance within the Statement of Accounts.

## **6. Annual Governance Statement**

- 6.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is undertaken in line with the CIPFA/SOLACE *'Delivering Good Governance in Local Government Framework'* guidance. The outcome of this review forms the basis of the Annual Governance Statement (AGS) which was recommended for approval at the last meeting of the Performance and Audit Scrutiny Committee. The AGS does not form part of the Statement of Accounts (and is not covered by the Chief Finance Officer's certification or the audit report) but is included alongside it in the final published accounts.

## **7. Asset List**

- 7.1 At its 2008 Statement of Accounts scrutiny meeting, this Committee requested that in future a more detailed list of assets should be provided to the Committee. This list is attached at Appendix 1.

## **8. Payment to Councillors**

- 8.1 In previous years the Statements of Accounts have included a schedule of payments to Councillors during the financial year. There is no requirement under IFRS, or the CIPFA Code of Practice, for this level of detail to be disclosed in the accounts. Therefore, Note 31 Councillors' Allowances (page 65) provides only summary total figures for Councillor allowances and expenses. A detailed schedule of Councillor payments has been attached at Appendix 2.

## **9 Conclusion**

- 9.1 The last two years have been a turbulent period in terms of local government finances. The underspend during 2010/11 was a positive result, given the enormous challenges ahead as a result of the Comprehensive Spending Review. Officers took action where possible to reduce expenditure during the year, in order to plan for future cuts. The challenge continues, as service demand increases in many areas but government grant cuts of 28% have already been announced.

## **10. Recommendations**

- 10.1 It is recommended that:
- a. the Committee receive and scrutinise the 2010/11 Statement of Accounts and recommend it for approval by full Council, subject to any material changes that may need to be made as a result of the audit being finalised;
  - b. the Committee recommend for approval the transfer of £0.643m underspend to the General Fund; and

- c. the Chief Finance Officer, in consultation with the Portfolio Holder for Resources and Efficiency, be given delegated authority to make any presentational and non-material changes that may be required up to the date of publication.

**Contact Details**

Name  
Telephone  
E-mail

**Chairman**

John Hale  
01359 221141  
[john.hale@stedsbc.gov.uk](mailto:john.hale@stedsbc.gov.uk)

**Chief Finance Officer**

Liz Watts  
01284 757252  
[liz.watts@stedsbc.gov.uk](mailto:liz.watts@stedsbc.gov.uk)

Name  
Telephone  
E-mail

**Portfolio Holder**

David Ray  
01359 250912  
[david.ray@stedsbc.gov.uk](mailto:david.ray@stedsbc.gov.uk)

**Scrutiny Manager**

Adriana Stapleton  
01284 757613  
[adriana.stapleton@stedsbc.gov.uk](mailto:adriana.stapleton@stedsbc.gov.uk)

### Assets List

#### Operational Assets

##### Council Offices - 2

Council Offices (Haverhill)  
West Suffolk House

##### Public Halls - 3

Athenaeum  
Haverhill Town Hall  
The Apex

##### Depots, workshops and cemeteries - 4

Bury Cemetery  
Haverhill Cemetery  
Bury Depot  
Haverhill Depot

##### Museums including museum storage - 2

Moyses Hall Museum  
West Stow Museum Store

##### Bus Stations - 2

Bus Station BSE  
Jubilee Walk and Bus Station

##### Car Parks - 18

Car Park - Mount Farm/Community Centre  
Car Park east of Cinema  
Car Park Underground  
Car park, 30-38 High Street  
Car park, Cattle Market  
Car park, Ehringhausen Way  
Car park, former Tennis Club  
Car park, Lower Downs Slade  
Car park, multi-storey, Parkway  
Car park, Parkway surface  
Car park, Ram Meadow  
Car park, rear of Queen Street  
Car park, Sports Centre, Ehringhausen Way  
Car park, St Andrews Street North  
Car park, Town Hall  
Car Park, Olding Road  
Car Park, School Yard East  
Car Park, School Yard West

##### Public Conveniences - 6

St Mary's Toilets, Market Square  
Toilets, Abbey Gardens  
Toilets, Ehringhausen Way  
Toilets, Ram Meadow  
Toilets, Recreation Road  
West Stow Public Toilets

##### Country parks, gardens and nature reserves - 4

Abbey Gardens  
East Town Park  
Nowton Park  
West Stow Country Park

##### Monuments - 1

St Saviours Hospital

##### Leisure Centres and Athletics Tracks (leased to Abbeycroft Leisure) - 3

BSE Sports & Leisure Centre  
Athletics track  
Haverhill Sports Centre

##### Land and Buildings leased for social activities, including community centres - 17

Barningham Village Hall & car park  
Busy Bee Pre-School Group  
Cartwheels Nursery  
Chalkstone Community Centre  
Clements Surgery  
Council Offices, voluntary sector  
Guildhall BSE (Round Table, Guide Association & Theatre Royal)

Land for medical clinic  
Leiston Community Centre  
Moreton Hall Community Centre  
Moreton Hall Youth Action Group  
Newbury Community Centre  
Sea Cadets Corp, County Upper School  
Skatepark Olding Road, BSE  
Southgate Community Centre  
Tollgate Lane Scouts  
Westbury Community Centre

##### Land and Buildings used for sport and recreation - 22

Bandstand, Recreation ground  
Bury Town FC  
Castle Playing Field  
Chalkstone Pavilion  
Chalkstone playing field  
Gainsborough changing room  
Gainsborough playing field  
Hardwick Heath  
Haverhill Community Football project - relocation  
Moreton Hall changing rooms  
Motts Playing Field  
Nowton all-weather pitch  
Oakes Road Changing Rooms  
Playing field, Mere View, Gt Livermere  
Puddlebrook changing rooms  
Puddlebrook Playing Fields  
Recreation Ground, Haverhill  
Recreation site, off Bedingfeld Way  
St Edmundsbury Bowls Club  
Tennis Club  
Tollgate Playing Field  
Victory Ground

## Appendix 1

### **Shopping parades and commercial ground leases - 24**

Art Gallery  
Barclays Bank  
Cattle Market/arc scheme  
Corn Exchange commercial area  
Former Library, Cornhill  
Gloucester Road commercial area  
Ground lease, Homefield Business Park  
Haverhill Golf Club  
High Street Haverhill commercial area  
Mill Road private car park  
Moreton Hall commercial area  
Multiplex Cinema complex  
Nowton Nursery commercial  
Parkway Multiplex Cinema complex  
Queensway commercial area  
Relate, Short Brackland  
Risbygate Street commercial area  
Rougham Hill amenity waste site  
South Parade/Lake Avenue commercial area  
St Olaves Precinct commercial area  
Strasbourg Square commercial area  
Symonds Road commercial area  
West Stow fishing  
Woodlands Hotel

### **Individual and grouped factories, including starter units and service tenancies - 9**

57 Eastern Way  
Mamelok Press, Northern Way  
Miller Graphics, 2 Hollands Road  
Bunting Road factories  
Factories, 6-12 Piperell Way  
Factories, 8-38 Hollands Road  
Factories, 9-19 Hollands Road  
Severn Road Enterprise Units  
Enterprise Units, Hollands Road

### **Residential, including affordable housing units and service tenancies - 18**

10 Well Street  
141 Eastgate Street  
25A Kings Road  
67A - 69 St Andrews Street  
79 Whiting Street  
Cangle School  
Caretakers bungalows  
Cemetery Lodge  
Cullum Road houses  
Flat 24 Harewood, Gloucester Road  
Harewood Terrace flats  
Orchard House  
Risbygate Street houses  
South Parade flats  
Strasbourg Square Havebury Housing  
Strasbourg Square Flat 11  
West Front Phase 1 & 2  
Wideham Cottages

### **Non-operational assets**

#### **Investment property - 3**

Shakers Lane agricultural land  
Access strip at Meadow Way  
Access strip off Skyliner Way

#### **Land awaiting development (surplus land and buildings) -18**

Access rights East Close, Vinefields, BSE  
Chalkstone Way development area - Millfields North  
Chalkstone Way development area - Millfields South  
Eastgate nursery  
Eden Road development area  
Former fuel depot development area  
Hamlet Croft development area  
Homefield Business Park  
Jacqueline Close development area  
Land at Betony Walk  
Lower Downs Slade development area  
Mount Farm village centre development  
Oakey Ley development site  
Pippin Post Close, Stansfield development site  
Sicklesmere Road grazing land  
Site E2, off Bedingfield Way, BSE  
Thetford Road, Coney Weston development site  
Village Hall & Scout Hut - Elms Close



## PAYMENTS TO COUNCILLORS 2010/11

| Name                  | Basic Allowances<br>£ . p | Special Respon-<br>sibilities<br>£ . p | Expenses<br>£ . p | TOTAL<br>£ . p    |
|-----------------------|---------------------------|--|-------------------|-------------------|
| L Ager                | 5,184.00                  |  | 192.00            | 5,376.00          |
| N Aitkens             | 5,184.00                  | 2,576.25                               | 130.80            | 7,891.05          |
| L M J Alexander       | 5,184.00                  | 5,706.00                               | 339.63            | 11,229.63         |
| J Anderson            | 5,184.00                  |  | 40.00             | 5,224.00          |
| T Beckwith            | 5,184.00                  |  | 468.80            | 5,652.80          |
| J A Bone              | 5,184.00                  |  | 489.60            | 5,673.60          |
| C E Bradbury          | 5,184.00                  | 1,096.60                               |                   | 6,280.60          |
| S O Broughton         | 5,184.00                  |  | 72.16             | 5,256.16          |
| T L Buckle            | 5,184.00                  |  | 102.40            | 5,286.40          |
| D E Chappell          | 5,184.00                  |  |                   | 5,184.00          |
| M H Charlesworth      | 5,184.00                  |  | 226.44            | 5,410.44          |
| T G Clements          | 5,184.00                  | 5,706.00                               | 179.20            | 11,069.20         |
| R L Clifton-Brown     | 5,184.00                  |  | 475.20            | 5,659.20          |
| R J Cockle            | 5,184.00                  |  | 35.20             | 5,219.20          |
| G Cox                 | 5,184.00                  |  | 572.80            | 5,756.80          |
| M Ereira-Guyer        | 5,184.00                  |  |                   | 5,184.00          |
| R D Everitt           | 5,184.00                  | 4,939.06                               | 50.10             | 10,173.16         |
| P S Farmer            | 5,184.00                  | 2,853.00                               | 174.28            | 8,211.28          |
| J G Farthing          | 5,184.00                  |  | 44.80             | 5,228.80          |
| P A Gower             | 5,184.00                  | 5,706.00                               | 903.60            | 11,793.60         |
| J H M Griffiths       | 5,184.00                  | 10,368.00                              | 1,316.58          | 16,868.58         |
| J R Hale              | 5,184.00                  | 2,076.00                               | 749.69            | 8,009.69          |
| I C Houlder           | 5,184.00                  | 418.55                                 | 1,940.76          | 7,543.31          |
| A H Jones             | 5,184.00                  |  | 108.00            | 5,292.00          |
| H M Levack            | 5,184.00                  | 4,149.00                               | 157.04            | 9,490.04          |
| D Lockwood            | 5,184.00                  | 3,114.00                               | 1,252.80          | 9,550.80          |
| T Marks               | 5,184.00                  |  | 400.00            | 5,584.00          |
| J P McManus           | 5,184.00                  |  | 144.00            | 5,328.00          |
| S J Mildmay-White     | 5,184.00                  | 6,187.32                               | 427.60            | 11,798.92         |
| D Nettleton           | 5,184.00                  |  |                   | 5,184.00          |
| S R Oliver            | 5,184.00                  | 1,557.00                               | 106.00            | 6,847.00          |
| G P Price             | 5,184.00                  |  | 156.04            | 5,340.04          |
| D A Ray               | 5,184.00                  | 5,706.00                               | 724.00            | 11,614.00         |
| D Redhead             | 5,184.00                  |  | 645.20            | 5,829.20          |
| K D Richardson        | 5,184.00                  |  |                   | 5,184.00          |
| R R Rout              | 5,184.00                  | 2,073.00                               |                   | 7,257.00          |
| M Rushbrook           | 5,184.00                  |  | 216.00            | 5,400.00          |
| C J E Spicer          | 5,184.00                  | 1,041.00                               | 461.95            | 6,686.95          |
| P A Stevens           | 5,184.00                  | 5,706.00                               | 1,562.18          | 12,452.18         |
| J Thorndyke           | 5,184.00                  | 1,557.00                               | 528.00            | 7,269.00          |
| C L Turner            | 5,184.00                  |  |                   | 5,184.00          |
| F J Warby             | 5,184.00                  |  | 226.80            | 5,410.80          |
| P A Warby             | 5,184.00                  |  | 798.59            | 5,982.59          |
| A Whittaker           | 5,184.00                  |  | 77.60             | 5,261.60          |
| D A Whittaker         | 5,184.00                  |  | 246.40            | 5,430.40          |
| <b>SUB TOTALS</b>     | <b>233,280.00</b>         | <b>72,535.78</b>                       | <b>16,742.24</b>  | <b>322,558.02</b> |
| <b>STANDARDS COMM</b> |                           |  |                   |                   |
| J Burgess             | 204.00                    |  | 36.00             | 240.00            |
| Lord Leathers         | 204.00                    | 1,035.00                               | 13.68             | 1,252.68          |
| M Marks               | 204.00                    |  | 122.40            | 326.40            |
| D E Payne             | 106.39                    |  | 14.40             | 120.79            |
| J Rogers              | 204.00                    |  |                   | 204.00            |
| R Williams            | 17.00                     |  |                   | 17.00             |
| <b>SUB TOTALS</b>     | <b>939.39</b>             | <b>1,035.00</b>                        | <b>186.48</b>     | <b>2,160.87</b>   |
| <b>TOTALS</b>         | <b>234,219.39</b>         | <b>73,570.78</b>                       | <b>16,928.72</b>  | <b>324,718.89</b> |

**Notes:**

\* Expenses include mileage, travel and subsistence paid to all members, and any *personal* expenditure incurred by the mayor using their allowance.