



AUDIT AND PENSIONS COMMITTEE

29 JUNE 2010

LEADER

Councillor Stephen
Greenhalgh

**London Borough of Hammersmith and Fulham
Statement of Accounts for 2009/10**

**WARDS
All**

Summary

This report presents the 2009/10 statement of accounts. It is a requirement of the Account and Audit Regulations 2003 that the accounts are approved by a committee of the Council, prior to audit.

CONTRIBUTORS

All Departments

Recommendations

The Committee is asked to;

- 1 Note the contents of the report
- 2 Approve the Statement of Accounts for 2009/10

1. PURPOSE OF REPORT

- 1.1. It is a requirement of the Accounts and Audit Regulations 2003 that the Council's 2009/10 statement of accounts should be approved by Members prior to 30 June 2010.
- 1.2. This report presents the statement of accounts for 2009/10. These accounts are presented for approval prior to audit. They are intended to report the financial records for 2009/10, prior to formal publication, post audit, in September 2010.

2. INTRODUCTION

- 2.1. Attached to this report is the Council's Statement of Accounts for 2009/10. One of the key annual responsibilities of the Audit and Pensions Committee is to approve the statement of accounts for the Council. The Committee's terms of reference also include the responsibility to advise the Executive on:

the accounting policies and the annual accounts of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;

- 2.2. In order to fulfil this responsibility, the Committee needs to be able to meaningfully interrogate what is a large and very complex document in the form of the Statement of Accounts. This report aims to highlight a number of areas where the Committee might find it useful to focus their attention, thereby making the task of scrutinising the accounts more straightforward, and more effective.
- 2.3. The main areas covered in this report are:
 - The Council's revenue outturn for 2009/10
 - Changes in Accounting Policies since 2008/09
 - Actions taken in response to issues raised during the audit for 2008/09
 - Other major issues arising
- 2.4. These areas are intended to cover the substantive impact on the Council's financial position of performance during the year as presented in the accounts, challenges emerging in the form of changes in the requirements for the accounts, and the Council's response to issues that were identified as needing to be addressed last year. Consideration of

these issues will make a significant contribution to fulfilment of the Committee's responsibilities, but they are not intended to be exhaustive. The Committee and its members will also have identified further issues upon reviewing the statements, and adequate consideration should be given to these matters also.

3. REVENUE OUTTURN 2009/10

- 3.1. The Council has set itself a challenging financial target via the commitment to reduce Council Tax by 3% year on year. The budget for 2009/10 was the third to include a 3% reduction in Council Tax, subsequently followed by a further one in 2010/11. A key issue for the Council is to maintain revenue balances at an appropriate level. In line with the Council's Medium Term Financial Strategy the optimal level of balances is identified as between £12m and £15m. At the start of 2009/10 General Fund balances were £14.83m and by the year end, due to a net under spend, have increased to £15m.
- 3.2. The final outturn set out in the Statement of Accounts, and discussed in detail in the Explanatory Foreword, was a net under spend of £0.693m, compared to the revised budget. The main areas contributing to this position were Community Services and the Council's centrally managed budgets. More detailed explanations of these variances are included in the Statement of Accounts. See pages 8 – 11 of the Statement of Accounts for further details.

4. CHANGES IN ACCOUNTING POLICIES

- 4.1. The Council's Statement of Accounts is prepared in accordance with the latest Code of Practice on Local Authority Accounting (the SORP), Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRSs) and International Financial Reporting Standards (IFRSs).
- 4.2. The changes required as a result of SORP 2009 are less significant than those of the previous three years, with three notable changes worth considering:
 - PFI and similar contracts are now accounted for under IFRS
 - Local Taxation – accounting for Council Tax and NNDR as an agency arrangement

- Removal of five disclosure notes to the accounts

PFI and similar contracts

- 4.3. the accounting requirements for PFI and similar contracts are no longer based on the UK accounting standard FRS5 but on International Financial Reporting Standards (IFRS). The requirements are based on IFRIC 12 Service Concession Arrangements interpreted for concession grantors and is consistent with the approach adopted by the Government's IFRS – based Financial Reporting Manual. As well as contracts entered into from 1st April 2009, the requirements apply to PFI schemes and similar contracts existing at 31st March 2009. Prior period adjustments have been made for these schemes
- 4.4. The PFI properties used to deliver the PFI services which were off balance sheet are now recognised on the balance sheet along with a liability for the financing provided by the PFI operator. Regulations have been put in place to ameliorate any impact on the council's bottom line.
- 4.5. This change has been brought in a year early to avoid the need for authorities to account for their PFI and similar contracts on two different bases in 2009/10: on an FRS5 basis for inclusion in the statement of accounts and on an IFRS basis in order to provide the information to the Government for Whole of Government Accounts.
- 4.6. In 2003/04, LBHF entered into a 25 year Private Finance Initiative (PFI) agreement to provide new services for vulnerable older people in the borough. The PFI has created new nursing homes, sheltered accommodation and a day care centre. Hammersmith & Fulham PCT also share the services provided at these three sites through a back-to-back agreement with the Council. The Council incurs all expenditure and then invoices the PCT for their relevant expenditure.
- 4.7. Work has been undertaken to analyse the current contractual arrangements and to identify the revenue, capital and interest elements of the annual unitary charge payment. The assets used in the PFI scheme have been added to the balance sheet at a fair value of £9.6m with a corresponding liability for the same amount. The asset will then be subject to depreciation, revaluation and impairment in line with the Council's accounting policies. As before, the revenue elements of the Unitary Charge will be reported within the relevant service revenue account. The Audit Commission have been involved at each stage of the

process and regular meetings have been held to ensure that the Council will be compliant with IFRIC 12.

Local Taxation – accounting for Council Tax and NNDR as an agency arrangement

- 4.8. This is the first time a SORP has specifically detailed requirements for accounting for local taxation. It has been acknowledged that previous accounting treatments have not been correct and that English billing authorities such as LBHF act as an agent for the precepting authorities ie for LBHF, itself and the GLA in the case of council tax and for the government in terms of national-non domestic rates.
- 4.9. Council tax transactions and balances have been allocated between LBHF and GLA. This is a change to current practice where LBHF used to show all outstanding debt, prepayments and bad debt provision for council tax on its balance sheet. Apart from its own share of council tax transactions LBHF now only accounts for the effects of timing differences between the collection of council tax attributable to the GLA and paying it over.
- 4.10. NNDR income does not belong to LBHF and so should not be included in the Income & Expenditure Account. NNDR debtor and credit balances with taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of LBHF and should not be recognised on the balance sheet. The difference between cash collected from taxpayers and cash paid to the government will be treated as either a debtor or creditor on the balance sheet.
- 4.11. SORP 2009 also requires the change to agency accounting for both Council Tax and NNDR to be treated as prior period adjustments leading to the restatement of certain figures in the 2008/09 comparators.

Removal of five disclosure notes to the accounts

- 4.12. Disclosure notes for the following items have been removed from the statement of accounts
- Section 137 expenditure
 - Publicity expenditure
 - Building Control Account
 - Business Improvement District schemes
 - Income under the Local Authorities Goods and Services Act

Also, the disclosure note on Senior Officers' remuneration has been amended to include further details.

5. ACTIONS TAKEN IN RESPONSE TO ISSUES FROM 2008/09

- 5.1. In their Annual Governance Report presented to the Audit Committee in September 2009, the Audit Commission published an action plan of recommendations for the Council. The action plan included five recommendations, which the Council agreed prior to publication. As with all Audit Commission recommendations, these have been monitored via Internal Audit and presented to Audit Committee on a regular basis.
- 5.2. Progress has been made on all the recommendations with helpful input from the Audit Commission. This year's accounts have been produced on the basis that all the recommendations have been implemented.

6. NEXT STEPS

- 6.1. There is still a great deal of work to be done between the approval of the accounts and the re-presentation to Audit Committee in September. Last year saw an improvement in the quality of information and timeliness of response provided to the Audit Commission and this will be given high priority again this year to ensure a smooth audit.
- 6.2. Individual reviews will be held over the next month or so with departments to identify further areas for improvement that can be addressed prior to next year's process.

LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext of Holder of File/Copy	Department/Location
1	Revenue Budget Monitoring Reports and Annual Accounts	Jim Mearns ext 2501	Finance, Room 42 HTH
2	Children's Services Department Accounts	Dave McNamara ext 5034	Children's Services, Cambridge House
3	Environment Department Accounts	Dave McNamara ext 3404	Environment, 5 th Floor, HTHX
4	Community Services Department Accounts	Mark Jones ext 5006	Community Services, 77 Glenthorne Road
5	Residents Services Department Accounts	Gary Hannaway Ext 3031	Residents Services 77 Glenthorne Road
6	Finance & Corporate Services Department Accounts	Pat Gough ext 2542	Finance, Room 42 HTH

