

**Audit Committee – 23rd September 2010**

**Report of the Treasurer**

**Amendments to Statement of Accounts 2009/10**

**Purpose of Report**

1. To inform the Audit Committee of amendments made to the Statement of Accounts since the initial presentation to the June meeting.

**Background**

2. With the deadline of June for submission of accounts it is not possible to complete the audit before the accounts have to be agreed by the Committee and signed by the Treasurer. As a result of the audit process, and reviews by officers, a number of changes have been made to the accounts. Certain events, such as Government actions, have also had an effect on the accounts. These do not change the outturn or adversely change the financial standing of the authority.
3. The final version of the accounts will be available on the intranet and internet by the end of this month, with limited hard copies available e.g. in libraries. Copies can be provided to members now on request, but it was not thought that the changes warranted reprinting the entire document.

**Main Amendments**

4. In previous years the Authority has recorded the value of its 5.58% shareholding in Birmingham Airport at historical cost. A valuation exercise was completed in August 2010 for all the West Midlands Authorities which has resulted in an upward (notional) revaluation of the Dudley shareholding of £12.329m from £7.675m to £20.004m. The new valuation is based on the Airport's latest Business Plan. This valuation has been produced for financial accounting purposes and is not to be used for any other purpose.
5. Accounting regulations for 2009-10 have required the Authority to put Private Finance Initiative (PFI) and PFI-type assets on to its balance sheet for the first time. This includes the Lister Road Incinerator which was valued in the draft accounts at its historical cost less depreciation. The accounting regulations require such assets to be revalued when they first appear on the Council's balance sheet. This specialised asset has been revalued by £3.695m from £15.553m to £19.248m. In addition, the land under the Paragon PFI Schools (Summerhill and Colley Lane) which had been valued at nil in the draft accounts has now been revalued to £4.604m.

6. An impairment (write off in value) of £2.219m has been charged to the Income and Expenditure account as a result of the re-classification of some land and buildings from operational assets to surplus assets awaiting disposal.
7. The Grants Deferred Account on the Balance Sheet records the values of grants that have been used to fund capital expenditure. The draft accounts contained a number of such grants totalling £2.227m related to foundation schools which are not on the Authority's balance sheet and these have now been written out as gains on disposal. This increases the Total Net Assets in the balance sheet but has no effect on the financial standing of the authority.
8. The implementation of a new fixed assets system revealed a number of errors in the fixed asset records. Correction of the errors has resulted in a net increase in asset value of £2.542m.
9. An error in the 2009-10 valuation report caused an overstatement in the value of a primary school in the Council's Balance Sheet. The asset value has been reduced by £0.971m

#### Minor Amendments

10. A number of minor adjustments were made to the Income & Expenditure account and Balance Sheet resulting from errors and omissions in the draft accounts.
11. The presentation of the Cash Flow Statement has been amended to a more simplified format to aid readability. This format is in compliance with accounting regulations.
12. A number of amendments have been made to the Notes to the Accounts and Statement of Accounting Policies. These include changes to facilitate cross-referencing and to give additional explanation and analysis to the reader.

#### Post Balance Sheet Events

13. The following events which took place after 31<sup>st</sup> March 2010 (Post Balance Sheet Events) have been noted in the Statement of Accounts. They do not change the position of the authority as it was at that date, so the accounts themselves are not changed.
14. The draft accounts noted a contingent asset relating to a potential refund of VAT from Her Majesty's Revenue and Customs (HMRC). A refund of £2.1m has subsequently been received from HMRC in the current financial year.
15. In his budget statement on 22 June, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the West Midlands Pension Fund and the discretionary part of the Teachers' Pension Scheme are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated by the actuary to reduce the liabilities shown in the 2009/10 accounts by between 5% and 8% for most employers. The precise financial effect will be reflected in the accounts for the financial year ending 31 March 2011

16. In June 2010, the Government announced that the Local Area Agreement (LAA) reward funding was to be reduced by 50%. This will reduce Dudley's funding, and the amount effectively available in this LAA reward reserve to be allocated to Partnership projects, by £3.190m. No amendment has been made to the accounts for this reduction in grant, as the announcement did not change the position at 31<sup>st</sup> March 2010.

### **Finance**

17. This report is entirely financial in content, but does not give rise to any direct costs.

### **Law**

18. Legislation appertaining to Local Authority Audit and Accounts is contained in the Local Government Act 1972, part 2 of the Audit Commission Act, 1998, and regulations made thereunder.

### **Equality Impact**

19. The proposal takes account of the Council's policy in relation to equal opportunities.

20. With regard to children and young people:

- There is no direct effect of the proposals on children and young people.
- There has been no specific consultation with children and young people.
- There has been no direct involvement of children and young people in developing the proposals.

### **Recommendation**

21. It is recommended that:-

- the Committee notes and approves the changes to the Statement of Accounts.
- The Chair of the Committee signs and dates the Statement of Accounts to give evidence of the approval above.



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Iain Newman  
Treasurer

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### **List of Background Papers**

Report on Statement of Accounts at June Audit Committee meeting.