

Audit Committee – 25th September 2008

Report of the Director of Finance

Amendments to Statement of Accounts 2007/08

Purpose of Report

1. To inform the 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 Director of Finance. As a result of the audit process, and reviews by officers, a number of minor changes have been made to the accounts. These do not change the outturn or the financial standing of the authority.

Main Amendments

3. New accounting rules, introduced for 2007/8, require more complex recording and calculations for fixed assets than were previously necessary. In moving to these new rules, it has been necessary to adjust Note 17 on fixed assets, reducing the gross book value of other land and buildings brought forward as at 31st March 2007 from £374.5m to £366.6m. There is no effect on the net book value of these assets or on the balance sheet itself. We are reviewing our fixed asset accounting processes to address the complexity of the new rules.
4. The Grants Deferred Account on the balance sheet records the values of grants that have been used to fund capital expenditure. On audit recommendation, some of these values, which can no longer readily be related to particular assets, have been written down. This technically increases the Total Net Assets on the balance sheet, but actually has no effect on the financial standing of the authority.
5. Our auditors have recommended a change in the layout of the balance sheet, moving the new “Financial Instruments Adjustment Account” to the lower section. This technically reduces the Total Net Assets on the balance sheet, but actually has no effect on the financial standing of the authority.
6. The Local Authority Business Growth Incentive Grant (LABGI) has been moved from the Net Cost of Services section of the Income and Expenditure Account and is now shown in the same place as Revenue Support Grant and Council Tax. This reflects the fact that LABGI is a general grant and not tied to any service. The change is purely presentational and differs from the way this was presented in the Outturn Report (a reconciliation is provided).

7. At audit request, the Housing Repairs Account has been reclassified from a provision to a reserve. There are statutory accounting rules governing the use of this account, which are not affected by this technical change in balance sheet treatment.

Further Amendments

8. In the Income and Expenditure Account, the analysis of the net cost of services between the standard classifications has been slightly changed. There is no change to the real outturn, or the split of real spend.
9. The reporting of minor items associated with the sale of Council Housing, which previously appeared as individual items in the Statement of Total Recognised Gains and Losses, has been changed, so that these items no longer appear. Again this is a presentational change, with no effect on outturn.

Additional Disclosures

10. We have given an outline of our methodology for calculating the provisions for doubtful debts, which ensure that debtors figures on the balance sheet are not overstated. It should be emphasised that these balance sheet provisions do not affect the Council's policy and practice in collecting income due to it.
11. In Note 27 (Contingent Liabilities) we have disclosed the possible size of the potential fine under health and safety legislation.

Airport Shares

12. When the Statement of Accounts was presented to this Committee in June, the question of the treatment of the Birmingham Airport Shares held by the West Midlands districts was still subject to discussion amongst the auditors concerned. It has now been decided, in view of the difficulty of agreeing a single method of valuing the shares, to continue to show them at historic cost.

Finance

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

Law

14. 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

15. The proposal takes account of the Council's policy in relation to equal opportunities.
16. 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

17. It is recommended that:-

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



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List of Background Papers

Report on Statement of Accounts at June Audit Committee meeting