

WYRE FOREST DISTRICT COUNCIL**AUDIT COMMITTEE**
MEETING ON 29TH JUNE 2011**REPORT ON FINAL ACCOUNTS 2010/11**

SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN PRIORITY:	Delivering Together with Less
CABINET MEMBER:	Cllr. Nathan Desmond
DIRECTOR:	Director of Resources
CONTACT OFFICER:	David Buckland Ext. 2100
APPENDIX 1	Statement of Accounts 2010/11 - Overview
APPENDIX 2	Appendix setting out an Explanation of Major Variations on Revised 2010/11 Budgets

1. PURPOSE OF REPORT

- 1.1 To consider a pre-audit copy of the Council's Statement of Accounts for the financial year 2010/11.

2. RECOMMENDATION

The Audit Committee is asked to DECIDE that:-

- 2.1 **The pre-audit Statement of Accounts approved by the Director of Resources be endorsed by the Audit Committee.**
- 2.2 **The additional reserves of £412,400 generated from the 2010/11 surplus will be reconsidered in accordance with the Council's Finance Strategy, as part of the 2012/15 Budget Process.**

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2011 have been incorporated into the Council's Financial Regulations. These regulations require that the Council's Statement of Accounts be produced and approved by the Director of Resources on or before 30 June, 2011. This is a change to previous regulations where the Audit Committee had the responsibility and this recognises the increased burden upon local authorities as a result of implementing the International Financial Reporting Standards which are fully adopted for the first time this year. The Audit Committee are therefore requested to endorse the Statement approved by the Director of Resources at this stage. A full copy of the draft Statement of Accounts will be made available on the Council's intranet for Member's perusal.
- 3.2 The Cabinet received the provisional outturn position in relation the Final Accounts for 2010/11 on the 21 June 2011. Additional contributions were approved by Cabinet - £100,000 for the Transformation Reserve and £25,000 for an earmarked reserve in relation to the Diamond Jubilee and Olympics in 2012. They also endorsed that the

additional reserves generated from the 2010/11 surplus will be reconsidered in accordance with the Council's Finance Strategy as part of the 2012/15 Budget Process.

- 3.3 The Statement is then subject to audit and the Council's external auditor, the Audit Commission has until 30 September, 2011 to complete the audit; after which the Audit Committee will be asked to consider and approve the Statement, following which it will be published.
- 3.4 Should it be necessary for the Audit Commission to agree minor technical changes with the Director of Resources while the accounts are subject to audit, these will be made under delegated powers and the Statement will then be published. All Members of the Council will be provided with a published copy of the Statement.
- 3.5 Members may wish to note that the Council's Accounts will be made available for public inspection as required by the Accounts and Audit Regulations 2011, between 3 August 2011 and 31 August 2011. The Audit Commission will be available on the 1 September 2011, at the Resources Directorate, Duke House, if any local government elector for the area has any questions on the accounts that they wish to raise with them.
- 3.6 Appendix 1 - gives a brief explanation of the key components of the Statement of Accounts.
- 3.7 The provision revenue outturn position has identified savings of £412,400 (subject to audit) compared to the revised budget. Appendix 2 summarises major variations from the Revised Budget for Members information.

4. KEY ISSUES

- 4.1 These remain challenging times for the Council as we come to grips with an environment where funds will be reducing. The Financial Strategy 2011/14 approved by Council in February, provides a stable financial platform to move forward with. For the coming year, Council approved a freeze in Council Tax which released an additional grant from government, however, in each of the following two years annual increases of 2.5% have been assumed, along with a 40% reduction in Government Grant.
- 4.2 The Council has made further significant progress in relation to the recovery of the Icelandic investments and as at 31 March 2011, just over £3m of the £9m had been repaid to the Council, with further dividends received from the Heritable of £62,500 on the 19 April 2011 and from Kaupthing Singer and Friedlander (KSF) of £250,000 on 27 May 2011 that are post balance sheet events in the Statement of Accounts 2010/11. Further dividend payments are expected during 2011/12.
- 4.3 In addition, an update to the guidance for accounting for potential losses (impairment) from the Icelandic investments (update to LAAP Bulletin 82) was issued on the 17 May 2011. This statutory guidance results in a reversal of the potential principal loss (impairment) in relation to the KSF investment of £550,000. This adjustment for the impairment allows the capital financing revenue reserve (which had previously been utilised for severance costs in 2008/09) to be reinstated.

- 4.4 The Council has been successful in defending its “priority status” with Landsbanki as announced in mid April by the Icelandic Court. This is excellent news as the “priority status” means the Council would receive the vast majority of the investment during the winding up of the bank.
- 4.5 However, an appeal against this decision has been made to the Icelandic Supreme Court and the result of this, although not yet known, will probably come through in September. This is the final challenge the Council can face on our status and we continue to work with the Local Government Association along with other public bodies in the UK and the Netherlands to defend our position. We remain confident we will retain this status, although if lost it could have a material impact upon the likely settlements. It would have the impact of reducing the current forecast for return 95% to around 38%, of this £3m investment. Further updates will be provided as soon as they become available, for information, the accounts for 2010/11 have been prepared on the basis that this status is retained.
- 4.6 Included within Appendix 2 is the identification of the significant variances against the revised budget for 2010/11. These variances include:
- General Administration savings of £175k
These relate to various accounts across the whole of the Council which are then reallocated to front line services. It is clear that reductions have been made in expenditure across the authority as spending decisions are scrutinised more carefully in light of the current economic position.
 - Benefit Payments, positive variance of £75k
The Council has been successful in the recovery of more overpayments than had been expected. The total benefit payments budget is around £38m, an under spend of £75k equates to 0.2% of the total budget.
 - Property-related savings in building maintenance, energy of £100k
The Council manages the energy position extremely carefully and has achieved significant savings in the last year.
 - Savings in relation to the Elections function of £91k
The Council has been able to recover more election expenses than had been anticipated resulting in a significant savings for the section. These savings relate to both 2010/11 and 2009/10.
 - Additional costs of an increase in the Bad Debt Provision of £50k
Due in the main to greater difficulty in collecting debts to the Council the value of the bad debt provision has had to be increased. These charges relate across the whole of the Council, however, would mainly relate to the recovery of property rents and trade waste income.
 - Additional Development Control income received of £48k received in the final quarter of the financial year.
At the end of quarter 3 it was expected that there would be an under recovery of fees in 2010/11, however, due in the main to two large applications being received in February this budget will now be exceeded.
 - Additional costs relating to vehicles of £56k most of which relates to increased costs of fuel
The increased cost of diesel has resulted in an increased cost, most significantly in relation to waste management and street scene sections.

- Reduced Trade Waste Income of £47k
Although income has reduced, this activity still contributes towards the overall cost of the Council. There has been significant competition in this area from another local company.
 - One-off Implementation Costs £111k
Budgetary allowance of £700k has been allowed within the 2011/12 budget to meet the one-off implementation costs of the Cabinet proposal. Certain decisions relating to the implementation were made before 31 March and therefore a provision needs to be included in the 2010/11 accounts.
 - Additional approvals of £124,500
During 2010/11 additional expenditure of £124,500 was approved by the Cabinet, these are shown within the major variations. Where expenditure has not been fully incurred earmarked reserves have been created. These areas include Leisure Facilities Review - £35k, Kidderminster Town Centre Enhancement - £21k and funding for the implementation of the Payroll Business Case - £68.5k.
 - Additional approvals of £125,000
Cabinet on the 21st June approved additional approvals of £100,000 for the Transformation Fund and £25,000 for the Diamond Jubilee and Olympics in 2012.
- 4.7 It is clear that the future financial position for the Council will continue to be challenging with the new government coming to terms with the record budget deficit. The reduced level of funding for the Council in the future will be mitigated by a raft of transformational reviews led by the Wyre Forest Forward programme.
- 4.8 The draft position for 2010/11 demonstrates that through prudent financial management additional resources of £412,400 will be made available to the Council's reserves. In addition to the under spend along with the reinstatement of the revenue financing reserve (para 4.3), a further contribution of £286k has been made to earmarked reserves.
- 4.9 As part of the final accounts 2009/10 an earmarked reserve of £100,000 was established of a Transformation Reserve to provide capacity to the officers of the Council in implementing the ambitious change programme. This has been extremely successful in delivering upon the change programme, and a further contribution was approved of £100,000 by Cabinet on 21 June from the 2010/11 under spend.
- 4.10 In addition to ensure that the Council can contribute towards the celebrations in the Wyre Forest next year to mark the Diamond Jubilee and the 2012 Olympics, an earmarked reserve of £25,000 was also approved by Cabinet on 21 June.

5. FINANCIAL IMPLICATIONS

- 5.1 The positive variance of £412,400, compared to the revised budget, will be reconsidered in accordance with the Council's Finance Strategy, as part of the 2012/15 Budget Process. This is greater than reported at Quarter 3 budget monitoring, however, a number of events in the last quarter coupled with year end transactions has led to the increase in the savings.

6. LEGAL AND POLICY IMPLICATIONS

6.1 None.

7. RISK MANAGEMENT

- 7.1 The principal risk to the Council is non-achievement of the Accounts and Audit Regulations 2011 deadline, in respect of production and approval of the Statement of Accounts before 30 June 2011, and qualification of the Accounts by the Council's External Auditors.
- 7.2 Concern remains surrounding the preservation of the "preferred" status in relation to the Landsbanki deposit. Further updates will be provided as soon as they become available.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 This is a financial report and there is no requirement to undertake an Equality Impact Assessment.

9. CONCLUSION

- 9.1 In order to comply with the Accounts and Audit Regulations, the Director of Resources is required to approve the Council's Statement of Accounts before 30 June 2011, Audit Committee will be asked to endorse them at this stage and approve them before the 30 September 2011.

10. CONSULTEES

- 10.1 CMT.

11. BACKGROUND PAPERS

- 11.1 Accounts and Audit Regulations 2011.
- 11.2 Cabinet 21 June 2011
- 11.3 Code of Practice of Local Government Accounting 2010/11