

APPROVAL OF THE 2009/10 STATEMENT OF ACCOUNTS

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REASON FOR REPORT

The report presents the 2009/10 Statement of Accounts for approval by the Audit Committee as required by the Accounts and Audit Regulations 2003. It sets out the requirement for members to approve the Statement of Accounts and provides an update on key technical changes and the key issues raised in the Council's accounts for 2009/10. The Pension Fund accounts form part of these accounts, whilst the Pension Fund Annual Report has been approved by Pensions Committee on 23 June 2010.

RECOMMENDATIONS

That Committee approves the Statement of Accounts for the financial year ended 31 March 2010.

INFORMATION

Requirement for Approval

The Director of Finance & Resources is responsible for the preparation of the Council's Statement of Accounts that present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010. The 2009/10 accounts were released by the Director of Finance & Resources for approval by the Audit Committee on 17 June 2010.

By formally approving the accounts the Audit Committee is demonstrating their ownership of the accounting statements and their confidence in the process by which the accounting records are maintained and the statements prepared.

Audit Committee, under its terms of reference, have been tasked to review, challenge and approve the annual Statement of Accounts.

The draft Statement of Accounts for 2009/10 is attached to this report. The accounts take the form as prescribed in the Statement of Recommended Practice for local authority accounting.

Although the pension fund accounts form part of the Council's main accounting statements, the pension fund is subject to a separate audit. The Pension Fund Annual Report has been approved by the Pensions Committee on 23 June 2010.

Technical Changes to the Accounts

2009/10 is the last year for Local Authority accounts to be prepared under the SORP prior to full IFRS adoption in 2010/11. Consequently changes have been kept to a minimum for this year and include:-

- *Collection Fund.* Non Domestic Rates (Business Rates) are now accounted on an 'agency' basis to reflect the fact that a billing authority is merely collecting these rates to passport straight to central government. This removes any individual NNDR debtors or creditors from the Council's balance sheet, leaving only the amount still payable to central government on 31 March 2010. The Council Tax Income and Expenditure account is adjusted to reflect council tax income on an accruals basis with the balance sheet adjusted to reflect the agency nature of deficits / surpluses pertaining to the GLA. Previously this was attributable to the billing authority.
- *Senior Officer Remuneration.* Greater detailed disclosure is now required for senior officers' remuneration published alongside posts considered to be the equivalent of a listed company board.
- *Removal of Notes.* A few notes to the accounts are no longer required to be published including Building Control, S137 Expenditure and publicity notes.
- *IFRIC12.* Early implementation of IFRS regarding the accounting treatment of PFI schemes. Hillingdon already had the one PFI scheme it possesses on its balance sheet.
- *True and Fair.* The accounts now must give a 'true and fair' view of the Council's financial position rather than 'presents fairly'

Key Movements in the Accounts

- A revenue surplus of £2,477k was achieved, however much of this is attributable to crediting revenue with amounts previously lying on the balance sheet.
- The deficit shown on the face of the Income and Expenditure account of £125,690k is another 'accounting treatment' loss attributable to significant downward revaluation of the Council's schools. Such losses would normally be offset by historic revaluation gains not yet realised, however the Revaluation Reserve only came into existence for local authorities in 2007 and so does not contain previous gains to which to charge any impairments.
- Liabilities related to the pension scheme grew by a further £204million. These are actuarial losses and do not represent the actual change in liabilities of the fund which actually increased in value by £145.4million. The actuarial loss is somewhat counter intuitive in that whilst 2009/10 saw the value of investments increase significantly, assumptions around future inflation, longevity and the use of historically low Gilt-based rates to determine the discount rate, saw the future liabilities of the fund rise significantly also.
- As a result of these factors the Council's net worth fell from £960,185k to £651,078k.
- The HRA were able to contribute £1,484k to its reserves.

Audit of the Accounts and Public Inspection

The audit of the accounts by Hillingdon's external auditor, Deloitte, is due to start at the beginning of July and will be completed during the summer of 2010. The deadline for publishing the audited accounts is 30 September 2010 and the auditor's findings are due to be reported to Audit Committee in September 2010.

The report will include any changes that are made to the accounts between approval and the final published audited version that are deemed to be 'non-trifling'; that is adjustments of £120k or more. It will also highlight any control issues found and provides an opinion of on the Council's value for money.

The statutory inspection period for the 2009/10 accounts will be 5 July to 30 July 2010.

Committee Action

Committee is requested to approve the 2009/10 Statement of Accounts after which the Chairman is asked to sign and date the Statement of Accounts to formally complete the Council's approval of the accounts.