

WYRE FOREST DISTRICT COUNCIL**CABINET**
15th JUNE 2010**FINAL ACCOUNTS 2009/10**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN AIM:	A well-Run and Responsive Council
CABINET MEMBER:	Councillor Nathan Desmond
DIRECTOR:	Director of Resources
CONTACT OFFICER:	David Buckland Ext. 2100
APPENDIX 1	Appendix setting out an Explanation of Major Variations on Revised 2009/10 Budgets
APPENDIX 2	Exempt appendix in relation to Earmarked Reserve

1. PURPOSE OF REPORT

- 1.1 To receive the provisional outturn position in relation to the Final Accounts for 2009/10.

2. RECOMMENDATION

The Cabinet is asked to ENDORSE that :-

- 2.1 The additional reserves of £1,088,510 generated from the 2009/10 surplus will be reconsidered in accordance with the Council's Finance Strategy, as part of the 2011/14 Budget Process.**

3. BACKGROUND

- 3.1 The Accounts and Audit Regulations 2003, as amended by the Accounts & Audit (Amendment) (Regulations) 2006, which have been incorporated into the Council's Financial Regulations, require that the Council's Statement of Accounts be produced and approved before 30th June, 2010.
- 3.2 The Audit Committee will be considering the full Statement of Accounts on 28th June 2010, and a full copy of the Statement of Accounts will be made available on the Council's Intranet for Members perusal.
- 3.3 The Statement is then subject to audit and as the Council's external auditor; the Audit Commission has until 30th September, 2010 to complete the audit; after which the Statement is published.
- 3.3 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.

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- 3.4 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 2003 and the 2006 Amendment, between 3rd August 2010 and 31st August 2010. The Audit Commission will be available on the 1st September 2010, 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.
- 3.5 The closure of the accounts thus identified a saving of £1,088,510 (subject to audit) compared to the revised budget.
- 3.6 Appendix 1 summarises major variations from the Revised Budget for Members information.

4. KEY ISSUES

- 4.1 This year has been a particularly challenging one, not only for this Council but for the country's economy generally, set against a background of global economic depression including the collapse of the Icelandic banks in October 2008. The careful management of the Council's finances over the last year will see around £1m added to the general reserves which will assist with the major challenges that lie ahead.
- 4.2 The Council has made significant progress in relation to the recovery of the Icelandic investments and as at 31 March 2010, around £2m of the £9m had been repaid to the Council. Further dividend payments are expected during 2010/11.
- 4.3 In addition, the Council was successful in achieving Capitalisation Direction approvals in relation to the potential principal losses (impairment) from these investments, of £2.185m. These Capitalisation Directions will protect the Council's revenue account and will be charged to the Council's Capital Receipts. Due to improvements in the expected returns in relation to these investments the value of impairment contained within the 2009/10 accounts will be £1.754m.
- 4.4 However, there is still concern surrounding the preservation of the "preferred" status in relation to the Landsbanki deposit. Our preferred status is currently subject to challenge within the Icelandic courts and if lost would 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 2009/10 have been prepared on the basis that this status is retained.
- 4.5 A major positive item within the 2009/10 accounts is the inclusion of a VAT refund from Her Majesty's Revenue and Customs (HMRC) of £736k, received in March 2010. This refund has come as a result of pro-active tax management by the accountancy section working in partnership with PriceWaterhouseCoopers and is the result of 2 years work.
- 4.6 It is proposed that a proportion of this refund is used to create earmarked reserves which will be used to meet potential dilapidation charges from the expiration of a long term leased building, along with the establishment of a Transformation Reserve to provide capacity to the officers of the Council in implementing the ambitious change programme. Full details of the proposed earmarked reserves to be established can be found in the exempt appendix.

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4.7 Included within Appendix 1 is the identification of the significant variances against the revised budget for 2009/10. These variances include:

- HMRC refund of £736k from which Ear Marked Reserves have been approved leaving a net £401k to fall into General Reserves
- Payroll and General Administration savings of £330k (including £65k from Planning and Regulatory Services)
- Property-related savings in building maintenance, energy and cleaning costs of £155k
- Reduced usage of Bed and Breakfast accommodation representing a saving of £75k
- Savings in relation to the Grounds Maintenance function of £63k
- Savings by the release of a provision of £144k made in the 2008/09 accounts for severance costs which can now be capitalised
- Reductions in Development Control income received of £58k and also £33k less Property-related income linked to the economic recession. Savings in administration have been made where possible to offset these reductions

4.8 In addition to the items identified above there is one further variance of note, relating to the establishment of a revenue provision for the interest element of the Council's Icelandic investments, which is included within the claims to the administrators. Under the current assumption this will lead to around £604k of interest being repaid to the Council. However, as a result of the method for accounting for these investments the accounts will need to include a provision in 2009/10 of £165k. The impact upon the accounts over the period of the Medium Term financial plan and beyond, as a result of this issue is as follows:

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15 and beyond	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue impact	165	0	(214)	(141)	(106)	(308)	(604)

4.9 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 level of funding for the Council in the future may become clearer following the emergency budget which is scheduled for 22nd June 2010. The draft position for 2009/10 demonstrates that through prudent financial management additional resources of £1m will be made available to the Council's reserves.

5. FINANCIAL IMPLICATIONS

5.1 The saving of £1,088,510, compared to the revised budget, will be reconsidered in accordance with the Council's Finance Strategy, as part of the 2011/14 Budget Process.

6. LEGAL AND POLICY IMPLICATIONS

6.1 None.

7. RISK MANAGEMENT

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7.1 The principal risk to the Council is non-achievement of the Accounts and Audit Regulations 2003/06 deadline, in respect of production and approval of the Statement of Accounts before 30th June 2010, and qualification of the Accounts by the Council's External Auditors.

7.2 There is concern 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 Council is required to consider and approve the Council's Statement of Accounts before 30th June 2010.

10. CONSULTEES

10.1 CMT.

11. BACKGROUND PAPERS

11.1 Accounts and Audit Regulations 2003 and 2006 Amendments.