

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2010/11 – OVERVIEW

1. INTRODUCTION

Each year the Council has to produce a set of accounts just like any other organisation. The formal document is the Statement of Accounts (Statement) which sets out the financial aspects of the Council's activities and draws attention to the main characteristics of the Council's financial position. The full Audited Statement will be published on the Council's web-site by the 30th of September 2011. The purpose of this overview document is to provide a summary of key aspects of the more detailed Statement to aid understanding and assist with the scrutiny process.

2. APPROVAL PROCESS

The deadline for approval of the 2010/11 Statement of Accounts is the 30th June, 2011 in accordance with the Accounts and Audit Regulations.

This Council's timetable for approval is as follows:

- : Cabinet – 21st June, 2011 (Major Variations only); and then
- : Director of Resources approval/Audit Committee – 29th June, 2011
- : Audit Committee – 29th September, 2011 (revised version)

The Accounts are audited by the Audit Commission who are the Council's external auditors. Regulations require that the Statement of Accounts is published by the 30th September 2011

3. BASIS OF ACCOUNTS

The Chief Financial Officer the Director of Resources, David Buckland, is responsible for the preparation of the Statement in accordance with the Code of Practice of Local Authority Accounting in the United Kingdom 2010/11. This includes, for the first time, full compliance with the International Financial reporting Standards (IFRS) so the accounts contain a number of restatements to reflect the transition to these new requirements.

The Accounts present a true and fair view of the financial position of Wyre Forest District Council for the year ended 31st March 2011. Up to date and proper accounting records have been maintained in accordance with the accounting policies outlined in the detailed Statement. In addition, the Chief Executive and Leader of the Council are required to confirm the Council's Governance arrangements can be relied upon to produce an accurate Statement of Accounts; again this is contained in the main Statement within the Annual Governance Statement.

4. KEY COMPONENTS

The Council's accounts for the financial year ended 31st March 2011 mainly comprise:-

(a) The Comprehensive Income and Expenditure Statement

This new statement replaces the former Income and Expenditure Account and Statement of Total Recognised Gains and Losses. These cover many of the day to day activities that the Council is involved with, detailing revenue income and expenditure on each of the major activities. It excludes Capital, accounted for separately. Many of the activity descriptions are similar to those in the budget book, but are grouped into Standard Expenditure Analysis Areas for interauthority comparisons. Income from the Council's precept on the Collection Fund is included in these accounts. It represents the gains and losses that contribute to the changes in financial resources and is the accounting position rather than the bottom-line to taxpayers.

(b) The Movement in Reserves Statement

This statement replaces the former Statement of Movement on the General Fund Balance and the note on the movement in reserves. It represents the changes in the Councils financial resources.

(c) The Collection Fund Income and Expenditure Account

This reflects the statutory requirement to maintain a separate Collection Fund. This account records income received from the Council Tax and Business Rates. It also shows the distribution of that income to precepting authorities, including Wyre Forest District Council, Worcestershire County Council, West Mercia Policy Authority, and The Hereford and Worcester Fire and Rescue Authority.

(d) The Balance Sheet

This relates to the Council's year end financial position, covering both Capital and Revenue. It shows the balances and reserves at the Council's disposal, summarised information on the fixed assets held, the current assets employed in its operations and its long term indebtedness.

(e) The Cash Flow Statements

The statements summarise major movements of the Council Funds over the period of the financial year. They are updated reflect the new full IFRS requirements.

5. FINANCE STRATEGY

The Council continues to implement the three year Finance Strategy endeavouring to balance service priorities against resources available. The increasing needs of the Community were recognised within the Strategy by setting a target Council Tax increase for the District of 2.5% per annum and by undertaking a Budget Consultation exercise. The Corporate Plan sets out the four aims for 2008 to 2011 as reflected in the Finance Strategy. The Strategy also supports the four corporate priorities for 2009/2010 being more affordable housing, reducing waste to landfill and increasing recycling, district wide regeneration and improving efficiency and value for money.

6. SUMMARY OF THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT, MOVEMENT IN RESERVES STATEMENT

| 2009/10 Net Expenditure/ (Income) £000's | Service Area | 2010/11 Net Expenditure/ (Income) £000's |
|---|---|---|
| 917 | Central Services to the Public | 1,280 |
| 9,512 | Cultural, Environmental, Regulatory & Planning Services | 10,224 |
| 1,605 | Highways, and Transport Services | 1,177 |
| 1,552 | Housing Services | 1,632 |
| 2,886 | Corporate and Democratic Core | (2,845) |
| 16,472 | Net Cost of Services | 11,468 |
| 445 | Parish Precepts | 459 |
| (355) | Other Net Operating Income | (184) |
| (537) | Investment and Right to Buy and other Capital Income | (372) |
| (598) | Other Accounting Adjustments* | 3,983 |
| 15,427 | Amount to be met by Government Grant/Council Tax | 15,354 |
| | Funded by: | |
| (6,484) | NNDR Re-distribution | (7,044) |
| (1,497) | Revenue Support Grant | (1,023) |
| (7,198) | Council Tax | (7,382) |
| (381) | Area Based Grant | (327) |
| <u>(133)</u> | Movement in Revenue Fund Balance | <u>(422)</u> |

* This takes into account entries required to reflect issues including depreciation, reduction in market value of assets and the position of this Council's Pension Fund

7. OVERALL BUDGET VARIATIONS

Major revenue variations between the revised budget and actual were shown in Appendix 1 to the main report to this Cabinet on the 21st June, 2011. This demonstrates a saving of £412,400 compared to the revised budget; this saving will be reconsidered in accordance with the Council's Finance Strategy, as part of the 2012/2015 Budget Process.

A further analysis of actual compared to the original budget used for 2010/11 is contained in the full Statement.

8. WHAT DO WE OWN (NUMBER OF ASSETS)?

| | |
|---|---------|
| Civic & Administrative Buildings | 4 |
| Car Parks | 29 |
| Asset under Construction | 1 |
| Trading Estates & Enterprise Centres | 5 |
| Public Conveniences | 14 |
| Leisure Centres (leasehold interest in Bewdley Leisure Centre) | 3 |
| Museums | 1 |
| Farms | 2 |
| Sports, Social Clubs, Fields & Parks | 26 |
| Nature Reserves | 3 |
| Other Land & Buildings | 38 |
| Vehicles | 88 |
| Play Equipment /Systems Software/Open Spaces Equipment | Various |
| Note: The Council also owns a number of assets below the de minimis level of £10,000 which are not shown in these figures | |

9. SIMPLIFIED BALANCE SHEET

| 31/03/10 £000's | What the Council owns and is owed | 31/03/11 £000's |
|----------------------------|--|----------------------------|
| 46,807 | What we own: Buildings, Land, Vehicles and Equipment | 48,121 |
| 106 | Inventories | 86 |
| 13,251 | Cash Invested | 17,274 |
| 6,570 | Money owed to the Council | 2,499 |
| (4,548) | What we owe: Money owed by the Council | (5,759) |
| (49,170) | Pension Fund Liability | (38,529) |
| 13,016 | Total Value of what we own | 23,692 |
| 11,887 | Financing: Usable Reserves Capital Expenditure Reserve | 10,104 |
| 1,963 | Earmarked Reserves | 2,688 |

| | | |
|---------------|--|---------------|
| 2,991 | General Reserves | 3,418 |
| 810 | Capital Grants Unapplied | 885 |
| | Unusable Reserves | |
| 45,143 | Capital Financing Reserves | 45,183 |
| (49,170) | Pensions Reserve | (38,529) |
| (436) | Financial Instruments Adjustment Account | - |
| (172) | Short-term Accumulated Absences Account | (57) |
| 13,016 | | 23,692 |

Notes:

General Reserves include a Collection Fund revenue balance of £20,000 in 2010/11, £15,000 in 2009/10. The Collection Fund is 'ring fenced' and is not available for General Fund purposes.

10. WHAT ARE OUR RESERVES?

| 31/03/10 £000's | General Fund Reserves: | 31/03/11 £000's |
|----------------------------|---------------------------------------|----------------------------|
| 2,843 | At beginning of the year | 2,976 |
| 133 | Movement in Revenue Fund Balance | 422 |
| 2,976 | Balance at the end of the year | 3,398 |

The Council has a duty in law to keep an appropriate (prudent) level of General Reserves. It is our policy to keep a minimum working balance of £700,000. The approved budget has agreed to use £883,730 in our budget for 2011/12, to use £414,010 for 2012/13 and £684,560 for 2013/14.

| Capital Expenditure Reserve and other Reserves and Capital Contributions set aside for the future: | | |
|---|---|---------------|
| | The savings and money set aside for the future are :- | |
| 11,887 | Capital Expenditure Reserve | 10,104 |
| 1,963 | Earmarked Reserves | 2,688 |
| 810 | Capital Contributions Unapplied (Grants) | 885 |
| 14,660 | Total Reserves and Provisions | 13,677 |

11. HOW WELL HAVE WE PERFORMED?

Finances:

Borrowing Money - average interest rate: not relevant since the Council is debt free
 Investing Money - average interest rate 0.85%

Payment of what we owe:

Prompt Payment – we paid 97.02% of all invoices within 30 days

Collection of what is owed to us:

Council Tax - we collected 97.58%

Performance against national and local measures:

Each year we show the results of how we performed against a range of national and local performance measures (performance indicators).

We used the National Indicator set (NI's) which were introduced in 1st April 2008 to measure our performance. As some NIs are not collected by financial year, some comparative information is not yet available, in addition, a number of NI have been deleted during 2010/11.

In addition to the statutory set of National Indicators, the Council also collects a number of locally set performance indicators. Local indicators monitor services not included in the NI set and are set by each Directorate to measure and monitor the performance of their services.

Performance to date for 2010/11:

- 47% improved
- 38% worsened
- 15% remained the same

It was announced by Government in October 2010 that statutory reporting of National Indicators would be discontinued; however the Council will continue to collect a reduced set of PIs to monitor our own performance.

12. SUMMARY

This Overview gives a summary of the Statement of Accounts, which is a snapshot of this Council's finances as at 31st March 2011, showing:-

- How we raised income during the year
- How we spent money during the year
- How we performed against our budget
- How we performed in looking after the money
- How much money we have at 31st March 2011 (reserves)
- How the money is invested at 31st March 2011 (buildings, equipment and cash)

13. FINANCIAL TERMS EXPLAINED

We have tried to avoid using too many financial terms in this Overview, but here are a few of them explained for you:-

Assets: Buildings, land, vehicles and money in the bank.

Borrowing: Money we have borrowed to pay for fixed assets and are repaying over a number of years.

Capital Expenditure: Spending on new assets and the refurbishment of old ones like buildings and vehicles.

Capital Expenditure Reserve: Allocated usable capital receipts.

Capital Financing Reserve: Capital accounting reserve “backed” or balanced within balance sheet by fixed assets - not a funding resource available to spend.

Creditors: Those to whom we owe money.

Debtors: People or organisations who owe us money.

Depreciation: Some assets lose their value as they get older; this is called depreciation.

Earmarked Reserves: Savings or money set aside for the future for a specific purpose.

Fixed Assets: Things that will last more than one year.

International Financial Reporting Standards (IFRS): new international framework to ensure common approach to the production of Statement of Accounts across the world.

Inventories: Things we have bought but have not yet used.

Reserves: Savings or money set aside for the future.

Revenue Expenditure: Spending (and income) on day to day running costs, for example, employees. day to day running expenses including items like premises costs and supplies and services.

14. DIRECTOR OF RESOURCES ENDORSEMENT

The purpose of this overview is to help with the overall understanding of the Council finances and accounts. This is an on-going process if you have any comments in relation to how we can improve this understanding please let me know.

The Council continues with its strong financial performance and due to decisions to reduce expenditure in previous years is in a relatively healthy position in meeting the challenges of reduced government funding. During 2010/11 the Council has been able to make a contribution to reserves; however, over the next four years the Council is expecting government support to reduce by around 40%. These valuable reserves will enable the Council to make the necessary adjustments to spending in a planned manner rather than having to make knee-jerk decisions.

To ensure that the Council is ready to meet future challenges, a number of initiatives are currently being undertaken including Wyre Forest Forward and the Corporate Plan significant service review and transformation work, Shared Services and the move to the new Head Quarters.

In addition to the transformation programme and service reviews mentioned above the Council has also been seeking the recovery of the deposits with “Icelandic Banks”. The Council had £9m invested in these banks and have been working over the last two and half years to secure their recovery. Full details are provided within the Financial Instruments section of these statements, however, as at 31st March over £3m had been recovered and the Council is confident that overall returns will be close to 85%.

The Council’s position was boosted in April when we were successful in a case in the Icelandic Courts which confirmed the Council’s “priority” status. This ruling results in significantly higher returns for the Council; although this decision has been appealed we remain confident that we will be successful.

As highlighted above, 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.

If you have any questions or would like further explanation of our financial position, please contact either myself, or a member of the Accountancy team.

A full copy of the Statement of Accounts will be published on the Council’s website by the 30th of September 2011.