

## RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 6

meeting date: 15 SEPTEMBER 2010  
title: APPROVAL OF FINAL STATEMENT OF ACCOUNTS FOR 2009/10  
submitted by: DIRECTOR OF RESOURCES  
principal author: LAWSON ODDIE

### 1 PURPOSE

- 1.1 To formally approve the statement of accounts for 2009/10 following audit.

### 2 BACKGROUND

- 2.1 Approval of the Statement of Accounts is within the terms of reference of this committee
- 2.2 At your meeting on 29 June 2010 you approved the Statement of Accounts for 2009/10, **subject to audit**, in compliance with the Accounts and Audit Regulations deadline of 30 June.
- 2.3 This preceded the period of audit on the accounts by our external auditors, which commenced this year on 5 July 2010 and is now completed.
- 2.4 The final, approved version following any amendments must be published by the end of September.

### 3 AMENDMENTS TO DRAFT VERSION OF THE STATEMENT OF ACCOUNTS FOR 2009/10

- 3.1 The clearance meeting with the Audit Commission was held on 27 July 2010. The purpose of the meeting is for the auditors to report their findings during the audit of the accounts and for agreement to be reached with ourselves on any adjustments to be carried out. Following the clearance meeting a number of amendments have been made to the Statement of Accounts as referred to in the Letter of Representation report.
- 3.2 We are very pleased that in the main there have been only minor amendments to the draft accounts recommended by our auditors. However, a substantial amendment was made to the accounts in respect of the accounting treatment of grants that have been received by the council for the Clitheroe Castle Museum capital scheme.
- 3.3 Where grants are received in respect of a capital scheme relating to an asset of the council, these grants are held on the council's balance sheet in what is known as the Government Grants Deferred Account and are released from this account in line with the rate of future depreciation. As members will be aware, in 2009/10 the council's assets were subject to revaluation and in the case of the Castle Museum, the asset was valued downward (impaired). At this time the amount held in the Government Grants Deferred Account should have been released to the same proportions as the downward revaluation of the asset, in accordance with the Statement of Recommended Practice (SORP).

- 3.4 This amendment to the statement of accounts does not affect the amount that is required to be taken from the council's general fund balances. However, the net worth of the council on the balance sheet is affected, and has resulted in a negative balance sheet of £1.014m rather than the draft statement of accounts as reported in June which showed a negative balance sheet of £2.602m. Members will recall that the negative balance sheet position for 2009/10 was due to the increase in the pension liability.
- 3.5 It had been our intention to make this adjustment in the 2010/11 financial year, as this would follow our policy on depreciation charges, where changes would be effected in the year following the valuation or in the year following acquisition of an asset. However, in the case of Government Grants Deferred, after an asset's value has been impaired, this would be contrary to SORP guidance.

#### 4 ITEMS NOT CHANGED FROM THE DRAFT VERSION OF THE STATEMENT OF ACCOUNTS FOR 2009/10

##### Compulsory Purchase Order

- 4.1 A further item which was raised by the Audit Commission, which has not been adjusted for within the statement of accounts, was the council's accounting treatment of a Compulsory Purchase Order (CPO). As members may be aware, in 2009/10 we carried out the compulsory purchase of a house due to its state of repair and within a few months of that purchase sold the same property to Ribble Valley Homes. On approval of the CPO taking place, Health and Housing Committee agreed that any shortfall should be funded from the Equity Release Grants capital scheme.
- 4.2 On completion of the CPO and onward sale to Ribble Valley Homes, there was a £5,000 shortfall, which was accounted for in accordance with committee's recommendation.
- 4.3 The SORP defines a fixed asset as being a more than tangible asset that yields benefits to the council and its services for a period of more than one year. As the council owned the CPO property for only a few months, and with no intention to retain it, the transaction was not treated as the purchase and sale of an asset on our balance sheet. Our accounting treatment was to treat the £5,000 shortfall as Revenue Expenditure Funded from Capital Under Statute, which basically entails writing off the £5,000 net expenditure as a charge to the revenue account.
- 4.4 We have been informed that the technical team at the Audit Commission disagree with our choice of treatment for this transaction. However, it is acknowledged that overall, particularly within the SORP, there is a general lack of guidance on this issue. As the value of the disagreement of treatment is not seen as material, the Audit Commission are not pressing the council to change its treatment in the Statement of Accounts.

##### Equal Pay Claims

- 4.5 Another item which was raised by the Audit Commission was our accounting treatment of the Equal Pay Claims, which was also raised with regard to the Statement of Accounts for 2008/09.

- 4.6 As members will be aware there have been a number of outstanding equal pay claims over the last few years. The council have set aside an amount in an earmarked reserve to meet any claims should they finally materialise and also referred to the claims in the contingent liability section of the accounts. As the amount and timing of these potential payments is not known, this is felt to be the correct accounting treatment in our opinion.
- 4.7 The preferred treatment of the Audit Commission would be the creation of a Provision for this potential liability. Again, as the value of the disagreement of treatment is not seen as material, the Audit Commission are not pressing the council to change its treatment in the Statement of Accounts.

## 5 STATEMENT OF ACCOUNTS FOR 2009/10

- 5.1 The final statement of accounts for 2009/10 is attached to this report. Following receipt of the auditor's opinion we will publish the accounts on our website prior to the deadline of 30 September 2010. A summary version of the accounts will also be prepared and published on our website.

## 6 CONCLUSION

- 6.1 Due to a considerable amount of time and effort by our finance team the closure of the council's accounts for 2009/10 has proceeded well, as did the second year of audit of the council's accounts by the Audit Commission.

## 7 RECOMMENDED THAT THE ACCOUNTS AND AUDIT COMMITTEE

- 7.1 Approve the Statement of Accounts for 2009/10.

FINANCIAL SERVICES MANAGER

AA21-10/LO/AC  
6 September 2010