

FINANCIAL REPORTING IN LOCAL GOVERNMENT

Professional 2
December 1999

MARKING SCHEME

The logo for CIPFA (Chartered Institute of Public Finance and Accountancy). It features the letters 'CIPFA' in a bold, serif font. A stylized, curved line arches over the 'I' and 'P', resembling a swoosh or a stylized 'C'.

Question 1

(a)

Leisure & Culture Acc	£000		£000
employees	12500		
prems	1900	<u>Note (i)</u>	
transport	900	Notional int @ 6% on 80 k	4.8
S & S	3979	NCC in £k 80	
asset rents	5050	LIFE 5	
note (i)	21	depre'tn	16
other	650	rounded to	21
	<u>25000</u>		
Income	-6200		
	<u>18800</u>		

2 marks for dealing with note (i) and 2 for format of service account 4

(b) Response should refer to permanent and material change. Could ask for any information relevant to either factor. 2

(c)

Consolidated Revenue acc 1998/99

	exp £000	inc £000	net £000	
Education & Comm Services	299500	-80500	219000	}
Highways & Transport	20070	-7000	13070	}
Planning & Dev	11900	-3900	8000	}
Environment Services	11000	-1800	9200	} 2
Leisure & Culture	25000	-6200	18800	}
Other	23000	-14000	9000	}
	<u>390470</u>	<u>113400</u>	<u>277070</u>	}
HRA	98000	-97000	1000	}
			<u>278070</u>	}
parish precepts			900	
DSO surplus			-1900	}
interest received			-3100	}
AMRA			-12000	} 3
DRF			3000	}
HRA transfer			-1000	}
mrp adjust			17100	}
			<u>281070</u>	

RSG		-153,000	
Council Tax		-65000	
NNDR		<u>-72000</u>	
Surplus for the year		-8930	
Balance B/F		<u>-1000</u>	
Balance C/F		<u>-9930</u>	<i>1</i>

AMRA

depreciation	9986	asset rents	37979
note 1	16	note 1	21
interest paid	17998	defer. grants	2000
To consolidated			
revenue account	<u>12000</u>		<u>40000</u>
	40000		40000

Consolidated balance sheet 1999

	£000	£000	
Net fixed assets bal + 18000+315-16		1048315	<i>3</i>
Long term invest		30000	
Stock & Wip	3000		
Debtors 27000-60-70	26870		<i>2</i>
Cash 2000+800	<u>2800</u>		<i>1</i>
		32670	
Short term borrowing	-2000		
Creditors 54000+18000-60	-71940		<i>2</i>
O/D	<u>-1000</u>		
		-74940	
Long term loans	-343000		
Deferred govt. grants 10k+800	<u>-10800</u>		
		<u>-353800</u>	<i>1</i>
		<u>682245</u>	
FARR 480000+315		480315	
UCR 15-15		0	
CFR 157+3+15		175000	<i>1</i>
General fund		9930	
HRA 3-1		2000	<i>1</i>
Earmarked reserves		15000	
		<u>682245</u>	

Presentation of statements 2
(19)
(25)

Question 2

Part (i)

A wide range of possible approaches, but would expect the calculation of the groups averages, reference to the national averages, and some attempt to link the individual PIs eg spending per pupil and exam success, the relative affluence of Wellham, etc.

Up to 6 marks available, awarded for volume of calculations, appropriateness of calculations, and accuracy

Part (ii)

Response to focus on accounting issues and to present these in a form appropriate to a chief officer from a non-accounting discipline.

Potential issues include the accounting for fixed assets (depreciation policies, valuation methodologies etc), the relative accuracy of each authorities accounting systems, methods of charging for central support services. Reference may also be made to the degree of consistency promoted by the ACOP and the work of the external auditors, and CIPFA guidance notes for practitioners.

Two marks for each point up to a maximum of 8

Part (iii)

Other education PIs eg K5s on class sizes, K11 percentage of s.e.n. pupils etc.

The mission statement and objectives of the education service (eg are they trying to be the best at GCSE results?)

Broader socio-economic statistics, such as average incomes, children living in multiple occupancy premises etc.

Two marks for each point to a maximum of 8

Presentation 3 marks, for appropriate style for a Director of Education, structure of report, and clarity of figure work. (25)

Uston part(A) - Example of possible review figures

	K2	K3A	K3B	K4A	K4B
	%	%	%	%	%
Group average	75	8	10	4	3
Uston v group average	11	-2	6	5	1
Uston v national average	12	-3	5	5	1
Rank in group (highest = 1)	1	5	1	1	1
Uston v 75 th percentile	-3	- 5	2	5	0

	K6A	K6B	K6C	K6D	K20
	£	£	£	£	£
Group average	1991	1685	2318	3060	413
Uston v group average	196	64	60	134	10
Uston v national average	-616	+3	-13	-114	39
Rank in group (highest = 1)	2	2	2	2	3
Uston v 75 th percentile	-79	-37	-93	-333	14

	K7A	K7B	K7C	K8
	%	%	%	%
Group average	78	59	52	35
Uston v group average	0	-8	-4	-8
Uston v national average	1	-13	-8	-11
Rank in group (highest = 1)	2	5	4	
Uston v 75 th percentile	-3	-17	-16	-17

Wide range of comments/findings possible. Notes for example:
2nd highest secondary spend/pupil but 4th best GCSE results, good take up in primary (K3A), but spare capacity in secondary (K3B) etc.

Question 3

Graffshire Superannuation Fund

Fund account for year to 31 March 1999	£000	
<u>Contribution & Benefits</u>		
Contributions receivable:		
-employers	13776	
-employees (-17)	8976	
-admit bodies (+80)	1959	<i>1</i>
transfers in (+17)	97	<i>1</i>
sub-total	<u>24808</u>	
<u>Benefits payable:</u>		
pensions (+3)	25891	
lump sums	3254	<i>1</i>
other bens	8558	
refunds	7	
transfers out (+28 +52)	128	<i>1</i>
admin (+77)	377	<i>1</i>
	<u>38215</u>	
Net add (withdraws) from dealings with members	-13407	
returns on invests	14333	
change in market vals (below)	1681	<i>5</i>
debt man exps	-85	
Net inc/dec in fund during year	2522	
O/B net assets	218674	
C/B net assets	<u>221196</u>	
<u>Closing net assets at 31 March 1999</u>		
investments assets	206356	<i>1</i>
current assets (+80)	17080	<i>3</i>
current liabilities (+28+52+77+3)	-2240	
net assets	<u>221196</u>	

Presentation 2

(16)

	STK	UK	OS	PROP	TOTALS
	£000	£000	£000	£000	£000
O/B	68210	56210	15702	58000	198122
Bought	8550	6320	0	0	14870
Sold	-1960	0	-3645	-978	-6583
Totals	74800	62530	12057	57022	206409
Revals	72914	61740	14202	57500	206356
Unr'l gain	<u>-1886</u>	<u>-790</u>	<u>2145</u>	<u>478</u>	<u>-53</u>
	Profit	Loss		Total	
R'I gain	1800	260			
	784	199			
	22	112			
	<u>2606</u>	<u>571</u>		2035	
		less prev unr'l gains		<u>301</u>	<u>1734</u>
					<u>1681</u>

(b)

Less than 100% funding

- ie est assets cover less than est bens payable
 - been done during community charge era
 - not very prudent
- 3

Actuaries report

Identifies the future assets and benefits payable, which are not reflected as assets and liabilities in the accounts, calcs AERSL, independent.

3

Defined bens/contrijs

Defined bens and contrijs explained

Accounting impact – issue of accruals concept under defined bens schemes

3

(25)

Question 4

(a)

Cashflow statement for the year ended 31 March 1999

	£000		
Revenue Activities			
Cash outflows			
Cash paid to employees	35987	}	
Other operating cash payments	27876	}	<i>1</i>
Housing Benefit payments	15000	}	
NNDR payments to pool (27500 – 120)	27380	}	<i>1</i>
		106243	
Cash inflows			
Council tax	35980	}	
NNDR from pool	20000	}	<i>2</i>
RSG	30750	}	
Other	15000		
		<u>101730</u>	
		4513	
Returns on investments and servicing of finance			
Interest paid	1357		<i>1</i>
Interest received	-2573		<i>1</i>
		-1216	
Capital activities			
Purchase of assets 2650-35	2615		<i>1</i>
Sales of assets	-1500		<i>1</i>
		<u>1115</u>	
Net cash in/outflow before financing		4412	
Management of liquid resources			
Net increase in short term deposits 5500-8738		3238	<i>1</i>
Financing			
Repayment of borrowing		120	<i>1</i>
New loans raised (22980-120)-23760		-900	<i>1</i>
		<u>6870</u>	
Net decrease in cash			<i>1</i>
			<i>presentation 1</i>
			<i>(13)</i>

(b)

Reconciliation

General Fund Surplus	467	
Add		
Depreciation	3200	1
Additional MRP (4123-3200)	923	1
Decrease in debtors (3678-2845)	833	1
Increase in creditors (3945+35-3544)	436	1
Increase in stock (2437-2567)	-130	1
Less financing	-1216	1
Cash from revenue activities	<u>4513</u>	

(6)

(c)

Council is having Cashflow problems
A large run down in investments
Need to consider revenue expenditure cuts
OK at the moment but cannot sustain activity at current levels
Increase in creditors could be a sign of cashflow problems.

Other relevant comments accepted.

*2 marks per explained point to max of 6
(25)*

Question 5

Letter to Cllr Henman

Part (i)

Response as in study unit 1 chapter 3 activity 3 feedback.

Marks awarded with discretion, perhaps 2 for coverage of user and 2 for quality/depth of response.

4

Part (ii)

Role – A service to all levels of management etc
meeting CFOs statutory responsibilities.

Independence Consideration of independence for IA
alternative reporting lines for IA (audit committee etc).

4

Part (iii)

Alienating the asset

Recording the proceeds

Reference to change in reserved capital receipts

Surplus on disposal inappropriate where on asset exchanged for another without a profit motive.

4

Part (iv)

DRF, borrow, grants, lottery, UCR, barter, lease.

2 marks for list and 2 for explanation

4

Part (v)

Disclosure requirements per study unit 22 chapter 1.

4

Part (vi)

Operational, infrastructure, community, non-operational/investment.

NCRC, historic cost, loans outstanding, nominal amount, market value.

4

Presentation 1

(25)