



accounts was to increase the Income and Expenditure deficit by £111K or a percentage increase in deficit of 0.2% and to decrease the Group Net Worth (Balance Sheet) by £7,170 Million or a percentage increase in deficit of 1.2%.

- 4.3 The increased deficit on the Balance Sheet for the group accounts mainly related to SHL's 2009/10 pension liability deficit (£8,160 million). When the ALMO was set up the pensions transfer, (at the 1<sup>st</sup> October 2006) from the Council to the ALMO was effected on the basis of "deficits transferred", although the Council has agreed to be ultimately responsible for this liability. The remaining balance sheet reserves related to the Companies cash reserves.
- 4.4 SHL do not own any fixed assets and therefore has only limited assets and liabilities on their balance sheet. The most significant SHL liabilities being the pension liability, which may be of interest to Members. Grant Thornton have suggested that the Council could include a paragraph within the single entity Related Party Transactions disclosure note, detailing the SHL pension deficit.
- 4.5 SHL's single entity annual accounts are independently audited by auditors Baker Tilley prior to approval by the SHL board. Information is independently sought and verified from the Council by Baker Tilley and this includes confirmation of:
- The period of the Management Agreement
  - Management Fee paid for the year
  - Service Level Agreements
  - Amounts due to SHL from SBC as at 31 March.

The inter-company transactions are also disclosed in the Related Party Transactions disclosure to the Statement of Accounts (see Appendix B for 2009/10 disclosure). This note is still required for the 2010/11 Statement of Accounts.

- 4.6 The Group Accounts constitute 10-12 pages which provide Members with very little additional information regarding SHL's accounts (see Appendix A). This is also an added pressure for the Finance team in completing the accounts, as the inter-company transactions have to be eliminated and can only be completed when SHL's accounts are completed.
- 4.7 The Audit Committee and Council would continue to receive salient information relating to SHL's accounts as the related party transactions and pension liability would be disclosed in SBC's single entity accounts. SHL's company balances are reported as part of the Housing Revenue Account (HRA) and HRA Medium Term Financial Strategy (MTFS). The Council's policy for SHL company reserves is (from 2010/11) that balances in excess of £400,000 are returned to the HRA.
- 4.8 In view of the disclosures which will remain in the Statement of Accounts (in relation to SHL), officers recommend that for 2010/11 only single entity accounts are produced.

## **5. IMPLICATIONS**

## **5.1 Financial Implications**

- 5.1.1 The proposed changes to the Statement of Accounts would reduce the amount of work required to complete the 2010/11 Statement of Accounts, however no financial savings would be realised.

## **5.2 Legal Implications**

- 5.2.1 There are no legal implications relating to this report.

## **BACKGROUND PAPERS**

- Statement of Accounts 2009/10

## **APPENDICES**

- Appendix A – Group Accounts 2009/10 extract from the Statement of Accounts
- Appendix B – Disclosure Note- Related Party Transactions 2009/10 extract from the Statement of Accounts