

 <b>Council 27 September 2012</b>		<b>Agenda Item No. 14</b>
<b>Title</b>	Statement of Accounts 2011/12	
<b>For further information about this report please contact</b>	Mike Snow Tel 01926 456800 mike.snow@warwickdc.gov.uk Marcus Miskinis Tel 01926 456804 marcus.miskinis@warwickdc.gov.uk	
<b>Wards of the District directly affected</b>	None	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Executive 20 June 2012: Finance and Audit Scrutiny 10 July 2012	
<b>Background Papers</b>	Accounts and Audit (England) Regulations 2011 Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (CIPFA) Service Reporting Code of Practice 2011/12 (CIPFA)	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	N/A

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive		
Head of Service	18 Sept 2012	Mike Snow
CMT		
Section 151 Officer	18 Sept 2012	Finance Report
Monitoring Officer		
Finance	18 Sept 2012	Finance Report
Portfolio Holder(s)	18 Sept 2012	Cllr Mobbs

<b>Consultation &amp; Community Engagement</b>	
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.	
<b>Final Decision?</b>	Yes
<b>Suggested next steps (if not final decision please set out below)</b>	

## **1. SUMMARY**

- 1.1 The accounts have been closed in respect of the financial year 2011/12 and the outturn duly reported to the Executive in June. The unaudited Statements were presented to the Finance and Audit Scrutiny Committee in July.
- 1.2 The Statements have now been audited by the Audit Commission and were presented to the Finance and Audit Scrutiny Committee yesterday, together with the external auditor's Annual Governance Report.

## **2. RECOMMENDATION**

- 2.1 The Council approves the Statement Of Accounts 2011/12.

## **3. REASONS FOR THE RECOMMENDATION**

- 3.1 As part of corporate governance, Members have an important role in overseeing the framework of internal control of the Council. There is a statutory requirement to have the Statement of Accounts approved and published by 30 September.

## **4. POLICY FRAMEWORK**

- 4.1 **Policy Framework** – The Statement of Accounts for 2011/12 represent a historic account of the financial performance for that year and, therefore, identifies how well, or otherwise, the Budget and Policy frameworks have been complied with.
- 4.2 **Fit for the Future** – This report has no direct impact on Fit for The Future as it is a historical presentation of the past year's operations.

## **5. BUDGETARY FRAMEWORK**

- 5.1 The Statement of Accounts 2011/12 is an historic account of the financial performance of the year and shows comparison with the budget for 2011/12 and the results for 2010/11.

## **6. ALTERNATIVE OPTION(S) CONSIDERED**

- 6.1 Not to approve the Statements.

## **7. BACKGROUND**

- 7.1 The accounts have been compiled so as to comply with the appropriate accounting standards and the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2011/12. This is the second year that the accounts have to be produced under the requirements of the International Financial Reporting Standards (IFRS) and are included as Appendix 'A'.
- 7.2 The Accounts and Audit (England) Regulations 2011 require the responsible financial officer, by no later than 30 June immediately following the year end, to sign and date the Statement of Accounts. This was completed on 29 June 2012. The draft Accounts were then presented to Finance and Audit Scrutiny Committee for consideration in July, ahead of the audit.

- 7.3 An advertisement was placed in local newspapers and on the Council's website on 22 June informing electors of their rights to inspect the accounts between 25 July and 21 August and to question the auditor about those accounts from 22 August until the conclusion of the Audit. No requests have been received to date.
- 7.4 The 2011 Regulations also require that members approve and publish the audited accounts by no later than 30 September. Consequently, meetings were set up for 26 and 27 September for the Finance and Audit Scrutiny Committee and Council, respectively, to meet their responsibilities.

## **8. ANNUAL GOVERNANCE STATEMENT**

- 8.1 The Accounts and Audit (England) Regulations 2011 require local authorities to 'conduct a review at least once a year of the effectiveness of its system of internal control' and to include a statement on internal control with the Statement of Accounts. The regulations require local authorities to produce the statement in accordance with 'proper practices in relation to internal control'.
- 8.2 Following various reviews, a new Framework has been put in place which recommends that the review of the effectiveness of the system of internal control should be reported in an Annual Governance Statement.
- 8.3 To support the conclusions in the Annual Governance Statement, each year a review is to be carried out of the system of internal control to highlight any serious control issues and actions needed to deal with them.
- 8.4 The Annual Governance Statement, containing the findings of the review, is appended to the Statement of Accounts.
- 8.5 As expected, for an authority of our size, the review identified a number of areas for improvement in internal control and these form a series of actions to take.
- 8.6 The Standards Committee considered the Annual Governance Statement at its meeting on 26 June 2012 and recommended its approval.

## **9. STATEMENT OF ACCOUNTS**

- 9.1 The Statement of Accounts has been prepared using principles and practices of accounting which 'presents a true and fair view' the financial position and transactions of the Council. 'Proper accounting practices' are deemed to be those specified in CIPFA's "Code of Practice on Local Authority Accounting in the United Kingdom 2011/12" ("the Code") which involves interpretations of accounting standards and other pronouncements by the Accounting Standards Board.
- 9.2 As a consequence of the above, the Statements are required to be shown in a format which more closely follows that used to produce commercial accounts.
- 9.3 This is the second year that the accounts have to be presented using the International Financial Reporting Standards (IFRS).

- 9.4 The Statement of Accounts comprises four primary statements plus two supplementary statements that reflect specific activities of a shire district council – the Housing Revenue Account and the Collection Fund.
- 9.5 The primary statement to look at first is the Comprehensive Income and Expenditure Statement (page 10). This is a more detailed analysis of the true economic cost of providing services. Although it would appear that the Council is operating at a significant deficit, this is mainly due to the revaluation loss on the Council's housing stock in 2010/11 and the settlement payment to the Government in respect of HRA Self Financing in 2011/12.
- 9.6 The next primary statement is the Movement in Reserves Statement (page 9). This shows the movement in the year on the different reserves held by the Council and analyses them into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves (i.e. 'unusable reserves'). The statement shows the true economic cost of providing the Council's services, the statutory adjustments required for tax and rent setting and the use of any earmarked reserves.
- 9.7 The Balance Sheet (page 11) is a simpler statement than one shown under the former reporting standards with the details now being provided in the notes.
- 9.8 Similarly, the Cash Flow Statement (page 12) is a more abridged version with the notes providing the details. The IFRS Cash Flow statement includes both cash and cash equivalents i.e. non-cash items that can be quickly liquidated e.g. short term loans.
- 9.9 The main change required for 2011/12 is the recognition of Heritage Assets in the Balance Sheet. These assets are predominantly items held within the Art Gallery and Museum. There is one community asset, Abbey Fields Barn, which is considered to be of a heritage nature and has, consequently, been reclassified. Traditionally, art and museum collections have only been valued for insurance purposes and have never been included on the Balance Sheet. Financial Reporting Standard 30 (FRS30) requires that such assets are identified and valued in order that they can be brought onto the Balance Sheet. The Council's Heritage Assets are valued at £8.7m.
- 9.10 These accounts have been audited during August and September. Where agreed, the Statements and notes have been adjusted by any material items found during the audit. Details of the audit findings have been presented to Finance and Audit Scrutiny Committee in the Annual Governance Report.