

 Council 22 September 2011		Agenda Item No.
Title	Statement of Accounts 2010/11	
For further information about this report please contact	Mike Snow/Marcus Miskinis	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	Executive 8 June 2011: Final Accounts 2010/11	
Background Papers	Accounts and Audit Regulations 2011 Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (CIPFA) Best Value Accounting Code of Practice 2010/11 (CIPFA)	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	Ref 324
Equality & Sustainability Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	13/9/11	Chris Elliott
Head of Service	13/9/11	Mike Snow
CMT	13/9/11	
Section 151 Officer	13/9/11	Finance Report
Monitoring Officer		
Finance	13/9/11	Finance Report
Portfolio Holder(s)	13/9/11	Cllr Mobbs
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1. SUMMARY

- 1.1 The accounts have been closed in respect of the financial year 2010/11 and duly reported to the Executive in June. The Statement of Accounts has been prepared and has now been audited. The Statements now need to be approved by Council.

2. RECOMMENDATION

- 2.1 It is recommended that the Council approves the formal Statement of Accounts for the year ended 31 March 2011, which will then be signed by the Councillor chairing the meeting.

3. REASONS FOR THE RECOMMENDATION

- 3.1 The Statement of Accounts needs to be approved by Council under the Accounts and Audit Regulations 2011.

4. POLICY FRAMEWORK

- 4.1 **Policy Framework** – The Final Accounts for 2010/11 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 2010/11 is an historic account of the financial performance of the year and shows comparison with the budget for 2010/11 and the results for 2009/10.

6. ALTERNATIVE OPTION(S) CONSIDERED

- 6.1 None – there is a statutory requirement to approve the Statement of Accounts by 30 September.

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 2010/11. This is the first year that the accounts have to be produced under the requirements of the International Financial Reporting Standards (IFRS) and are included as Appendix 'A'. The main changes in the presentation of the accounts are explored in Appendix 'B'.
- 7.2 The Accounts and Audit Regulations 2003 required that the Statement of Accounts be approved by the Council by the end of June following the year end and subsequently audited so that they could be published by the end of September. These Regulations have now been updated and replaced by the Accounts and Audit Regulations 2011 and, subsequently, this requirement has been superseded.

- 7.3 The Government took the view that Members were approving accounts that were very likely to change during the audit with the need for them to be resubmitted for further approval at the end of the audit. Consequently, they decided to review the procedures and issue new regulations. This is more in line with the practice for publishing private sector accounts.
- 7.4 Under the new Regulations the responsible financial officer must, no later than 30th June immediately following the yearend, sign and date the Statement of Accounts.
- 7.5 The new Regulations now require that members approve the audited accounts by no later than 30th September.
- 7.6 Although not required by the regulations, the pre-audited accounts were presented to the Finance and Audit Scrutiny Committee in July.

8. ACCOUNTS 2010/11

- 8.1 The Executive received a report on the Council's accounts in respect of the financial year 2010/11 at its meeting held on 8 June 2011 and duly approved those accounts. This report primarily detailed the Council's revenue and capital expenditure for 2010/11, and how this compared to budget. It also presented the position for the overall level of reserves and balances.

9. STATEMENT OF ACCOUNTS

- 9.1 The Statement of Accounts comprise four main statements, these being:
- Movement in Reserves Statement
 - Comprehensive Income and Expenditure Statement
 - Balance Sheet
 - Cash Flow Statement
- 9.2 Additional statements in respect of the Housing Revenue Account and Collection Fund are also included.
- 9.3 Alongside these, the Statements include all the relevant notes to the accounts and explanations of accounting policies.
- 9.4 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 2010/11" ("the Code") which involves interpretations of accounting standards and other pronouncements by the Accounting Standards Board.
- 9.5 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.
- 9.6 It was announced in the 2007 Budget that the UK Public Sector would adopt the International Financial Reporting Standards as this was seen as best practice and allowed for international comparisons to be made. The timetable for Local Government was for full adoption of IFRS for the 2010/11 accounts. Accordingly, a project team was established with the brief to achieve adoption by the required deadline.

- 9.7 Professional seminars and workshops have been attended over the intervening period by the finance staff charged with producing the accounts, as well as organising training for all finance and staff in other units on the general principles of IFRS.
- 9.8 As part of the transition, it has been necessary to recast the 2009/10 accounts under IFRS so that meaningful comparative data can be used. It was intended that this should be done during the autumn of 2010 but delays in the publication of CIPFA's Guidance Notes meant that this did not happen until February 2011. At the Audit Commission's annual regional workshop in February it transpired that we were the only authority to have completed the restatements and were ready for the external auditor's review.
- 9.9 This is the first year that the accounts have to be presented using the International Financial Reporting Standards (IFRS), which is a major change in both the accounting treatment of certain items and the presentation of the Statements and associated notes. Appendix 'B' details the major changes that have taken place.
- 9.10 As part of this change, comparative data for 2009/10 has also had to be restated to comply with the new standards. These were completed during January and February 2011. The External Auditor has subsequently reviewed the work undertaken in preparation for the formal audit of the 2010/11 accounts.
- 9.11 The first new statement is the Movement in Reserves Statement. 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.
- 9.12 The next statement is the new Comprehensive Income and Expenditure Statement. This is a more detailed analysis of the true economic cost of providing services referred to above. Although it would appear that the Council is operating at a significant deficit, this is mainly the revaluation loss on the Council's housing stock.
- 9.13 The Balance Sheet is a simpler statement than under the former reporting standards with the details being provided in the notes.
- 9.14 Similarly, the Cash Flow Statement is a more abridged version with the notes providing the details. The IFRS Cash Flow statement expands on cash to include cash equivalents i.e. non-cash items that can be quickly liquidated e.g. short term loans.

10. ANNUAL GOVERNANCE STATEMENT

- 10.1 The Accounts and Audit Regulations 2003 and, subsequently the 2011 Regulations, require local authorities to 'conduct a review at least once a year of the effectiveness of its system of internal control' and include a statement on internal control in any Statement of Accounts. The regulations require local authorities to produce the statement in accordance with 'proper practices in relation to internal control'.

- 10.2 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.
- 10.3 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.
- 10.4 The Annual Governance Statement, containing the findings of the review, is included in the Statement of Accounts. The format, and part of the wording, is based on a pro forma suggested by CIPFA.
- 10.5 As expected, for an authority of our size, the review identified a number of areas for improvement in internal control and these form section 5 of the Annual Governance Statement.
- 10.6 The Standards Committee considered the Annual Governance Statement at its meeting on 21 June 2011 and recommended its approval.

11. AUDIT OF ACCOUNTS

- 11.1 The Council's external auditors, the Audit Commission, have now completed the audit of the Statement of Accounts and have issued an unqualified opinion. Alongside this, they are required to issue their Governance Report. This report has been reported to the Finance and Audit Scrutiny Committee on 21 September.
- 11.2 The Statements prepared earlier have been adjusted following the audit, although no material items were found. The responsible financial officer has duly approved the accounts ahead of their consideration by Council.
- 11.3 The Statements attached to this report do not include the final audit opinion from the auditors. This should be received following the Council approving the accounts and will be included within the accounts due to be formally published by 30 September 2011.