

AUDIT COMMITTEE	Agenda Item No. 9
25th JUNE 2012	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources Steven Pilsworth, Head of Corporate Services	Tel. 452398 Tel. 384564

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

RECOMMENDATIONS	
FROM : Executive Director - Strategic Resources	Deadline date : 30 June 2012; <i>statutory deadline for approving Accounts</i>
1. For members to review and comment on the Statement of Accounts prior to the Chief Finance Officer's certification by the 30 June 2012.	

1. ORIGIN OF REPORT

This report forms part of the regular pattern of reporting on the Council's financial position.

2. PURPOSE AND REASON FOR REPORT

- 2.1. The Council must consider and approve its Accounts at a meeting of either the full Council or a Committee of the Council. This is a requirement of the Accounts & Audit Regulations 2011. The Council's Constitution delegates this matter to the Audit Committee.
- 2.2. This is in accordance with the Committees Terms of Reference – 2.2.19 to review the annual statement of accounts.
- 2.3. The Accounts must be signed and certified by 30 June 2012 by the Council's Section 151 officer (Executive Director – Strategic Resources), in accordance with the Accounts and Audit Regulations 2011.
- 2.4. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly the financial position of the Council at 31 March 2012.
- 2.5. The Audit Committee is required to approve the Accounts no later than 30 September 2012 following, and in the knowledge of, the audit findings.
- 2.6. Whilst under the new regulations the Council's Audit Committee is no longer required to approve the accounts prior to audit, the Council considers it is good practice for members to review and comment on the accounts prior to the Chief Financial Officer's certification. The Finance team will continue to review the accounts after Committee agenda despatch, working towards the CFO certification and the start of the audit. If any substantial changes are needed to the Accounts, then an update will be provided to Committee at the meeting.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	Not applicable
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4. KEY POINTS

- 4.1. The 2011/12 Statement of Accounts is the second set of accounts the Council has produced under International Financial Reporting Standards (IFRS), and therefore compared to last years accounts there has been relatively few developments in accounting treatment for 2011/12.
- 4.2. However, this year, the Council is required to make technical accounting adjustments for Adult Social Care expenditure because of the amendment to the risk share agreement for the Pooled Partnership, that became effective from 1 April 2011, and the end of Partnership Agreement with NHS Peterborough. The Council has been in discussion with the external auditors with regards to these adjustments since February and whilst an approach for 2011/12 accounts has been agreed in principle, the auditors have reserved their final audit opinion on the Council's treatment until the completion of the audit, to be concluded in September.

Format of the Accounts 2011/12

- 4.3. The Accounts for 2011/12 conform with CIPFA's (Chartered Institute of Public Finance & Accountancy) Service Reporting Code of Practice for Local Authority Accounts and the Code of Practice on Local Authority Accounting (the Code). The individual financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of the Council.
- 4.4. The key contents of the various sections are as follows:
- *Explanatory Foreword* - provides an understandable guide to the most significant matters reported in the accounts.
 - *Statement of Responsibilities* – sets out the responsibilities of the Council and the chief financial officer in respect of the Statement of Accounts
 - *Comprehensive Income and Expenditure Statement* – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation
 - *Movement in Reserves Statement* – this statement shows the movement in the year on the different reserves held by the Council
 - *Balance Sheet* – shows the value of the assets and liabilities recognised by the Council as at 31 March 2012
 - *Cash Flow Statement* – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2011/12
 - *Notes to the Financial Statements* - the various statements are supported by technical Notes and by the *Statement of Accounting Policies*
 - *The Collection Fund & Notes* – shows the transactions of the Council in relation to Council Tax and National Non-Domestic Rates
 - *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council
 - *Annual Governance Statement* – identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and

proper standards and that public money is safeguarded. This statement is an item on this meetings agenda and therefore subject to change, consequently it will be included in the audited accounts, published by 30 September, following its approval.

Schools

- 4.5. Details on Schools Balances are shown in Note 18 to the Core Financial Statements in the Accounts. This shows that there was a net increase in School Balances during 2011/12 of £0.1m from £6.7m to £6.8m. There was 1 school (from 4 at 31 March 2011) with a deficit balance at 31 March 2012. These Schools are required to submit plans to the Council demonstrating how these deficits will be overcome.

Collection Fund

- 4.6. During 2011/12, Council Tax collection rates had an in year final collection rate of 95.73%.
- 4.7. The 2009 SoRP brought a change of accounting policy with regards to the Collection Fund, such that any surplus or deficit incurred is shown in the Comprehensive Income and Expenditure Statement and the impact of this reversed out through the Movement in Reserves Statement.
- 4.8. For 2011/12 the Collection Fund had a small surplus of £134k (deficit of £1.2m in 2010/11) for the year of which the Council's share of £110k is shown in the Comprehensive Income and Expenditure Statement.

Balance Sheet at 31 March 2012

- 4.9. The Statement of Accounts includes a Balance Sheet that sets out the net worth of the Council at the balance sheet date. The following paragraphs give a high level indication of the reason for movements from last year restated Balance Sheet which total a net decrease of £20m.
- 4.10. The Revaluation Reserve represents the net movement in the value of fixed assets since 1 April 2007 and it increased by £22m during the year.
- 4.11. The Capital Adjustment Account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. This account increased by £6.8m, as charges such as depreciation and impairment were lower than the capital receipts and grants income for the year.
- 4.12. The Pension Reserve, which balances the Pensions Liability, has increased by £42m. This is mainly because of the more unfavourable financial assumptions on 31 March 2012 compared to those at 31 March 2011 used by the actuaries in estimating the liabilities.

Reserves and Balances

- 4.13. As reported to Council in February 2012, the Executive Director - Strategic Resources is charged with considering the level of Reserves and Balances required by the Council and making recommendations as to the adequacy of the amounts held. The closing balance for the General Fund for 2011/12 was £6.0m which is consistent with MTFS.

Next Steps - approval, signing, inspection and audit

- 4.14. The revised Accounts and Audit Regulations 2011, include the following for the approval and publication of the annual accounts:

- the responsible financial officer must certify the presentation of the annual accounts no later than the 30 June
 - the annual accounts must be published with the audit opinion and certificate, and before that must have been approved by members no later than 30 September
 - the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given
- 4.15. The Council considers it is good practice for members to review and comment on the accounts prior to the Chief Finance Officer's certification. The Finance team will continue to review the accounts after Committee agenda despatch, working towards the CFO certification and the start of the audit. If any substantial changes are needed to the Accounts, then an update will be provided to Committee at the meeting.
- 4.16. Work will continue on reviewing the accounts following Committee, but prior to the start of the audit on 2nd July. Any further changes will be cleared by the Chief Finance Officer before certification on 30th June.
- 4.17. The Auditor will decide the date from which they will receive questions on and objections to the Accounts. The Accounts will be placed on deposit for public inspection for not less than 20 working days before the date set by the Auditor (Regulation 14).
- 4.18. At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2011/12. This will be considered at the Audit Committee meeting on 24 September 2012.

Appendices

Statement of Accounts 2011/12

5. CONSULTATION

No external consultation has been undertaken.

6. ANTICIPATED OUTCOMES

As set out in the report.

7. REASONS FOR RECOMMENDATIONS

The Accounts and Audit Regulations 2011 require that the Statements of Accounts be prepared to include the statements set out in Regulation 7 and that the signing and approval of the Accounts be undertaken as set out at Regulation 13 of those regulations. Approval of the Accounts is a non-executive function.

8. ALTERNATIVE OPTIONS CONSIDERED

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code) and hence alternative options are limited.

9. IMPLICATIONS

There are no Human Resource issues arising directly from the recommendations in this report.

10. BACKGROUND DOCUMENTS

Budgetary control reports through 2011/12
Council February 2012: Medium Term Financial Strategy

The Accounts and Audit Regulations (England) 2011, Statutory Instrument

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