
REPORT TO:	FINANCE and MANAGEMENT COMMITTEE - SPECIAL	AGENDA ITEM: 6
DATE OF MEETING:	27th SEPTEMBER 2012	CATEGORY: RECOMMENDED
REPORT FROM:	CHIEF EXECUTIVE OFFICER	OPEN
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SUBJECT:	ACCOUNTS and FINANCIAL STATEMENTS 2011/12	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

1.1 That the Council's Audited Accounts and Financial Statements for 2011/12 are approved and signed by the Chairman of the Committee for publication.

2.0 Purpose of Report

- 2.1 Under the Accounts and Audit Regulations 2011, the Council's audited accounts and financial statements are presented for approval. The Committee is required to approve the accounts with the knowledge of the opinion of the External Auditor, i.e. Grant Thornton.
- 2.2 Their findings were contained in a report which was presented to the Audit Sub Committee on 26th September. That Committee considered in detail the findings and recommendations made by the Auditor, together with issues and further action for ensuring that the final published document was fully compliant with accounting and financial disclosure standards.
- 2.3 Although the Auditor raised various issues, they gave an unqualified opinion on the Council's accounts for 2011/12. There were no material misstatements or adjustments from the Accounts submitted in draft form on 30th June 2012.
- 2.4 Actions arising out of the final accounts process for 2011/12 will be monitored by the Audit Sub-Committee.
- 2.5 Consequently, the final accounts and financial statements for publication are now presented for approval. A final proof and reference check is being made prior to publication on 30th September.

3.0 Detail

- 3.1 A full copy of the accounts is enclosed alongside this covering report. They will also be available on the Council's web-site at:
http://www.south-derbys.gov.uk/council_and_democracy/council_budgets_spending/statement_of_accounts/default.asp
- 3.2 The accounts will also be distributed to a selection of community points around the District but the printed version is only available in limited circumstances or if specifically requested. Their availability will be publicised through the local media.
- 3.3 The Committee considered the budget out-turn for 2011/12 in June 2012. Summary financial information is also being published in the Council's Annual Report for 2011/12 which is being reported to Full Council following this Committee Meeting.
- 3.4 These reports and summary's provide management information regarding the Council's income and expenditure performance (against budget) for the year, together with the level of Reserves and Assets at the year end.
- 3.5 In contrast, the Statement of Accounts is a much more complex and technical document that is prepared to meet wider accounting and financial standards. It acts as the statutory report on the Council's financial position
- 3.6 It is a much more in depth analysis of the Council's accounts, including its assets and liabilities and overall financial position at a point in time. The figures are supported by numerous commentaries and disclosure notes to help explain the various balances, together with income and expenditure in the Accounts.

International Financial Reporting Standards (IFRS)

- 3.7 The Accounts for 2011/12 are now prepared on a full IFRS basis. Adoption of the IFRS-based Code of Practice for the previous year 2010/11 resulted in new financial disclosures and changed the accounting treatment of various transactions.

The Statement of Accounts

- 3.8 A summary of each of the main sections contained within the accounts is set out in the following sections.

Explanatory Foreword

- 3.9 This offers an easier guide to understand the most significant matters reported in the Accounts. It gives an overview of the year's performance in terms of both revenue and capital spending and reflects information reported to the Committee in June 2012.

- 3.10 The Statement also outlines significant factors that affect the understanding of the accounts and provides an overview of assets, reserves and liabilities. It also provides a summary of the Council's medium term financial position and the financial issues and risks that the Council faces.

Governance Statement

- 3.11 This sets out the local governance framework comprising the systems and processes, cultures and values by which the Council is directed and controlled. It also lays out how it accounts to and engages with the local community.
- 3.12 The Statement reports on the effectiveness of the framework for 2011/12 and highlights any issues that need to be addressed to strengthen the internal control environment. The statement was considered and approved by the Audit Sub Committee in June 2012 for inclusion in the accounts.

Comprehensive Income and Expenditure Summary (CIES)

- 3.13 This is a summary that reports the accounting cost for the year of all functions for which the Council is responsible. The net expenditure is not the amount that is funded from taxation.
- 3.14 Councils raise tax to cover expenditure in accordance with regulations and this is usually different from the accounting cost which includes debt financing and capital accounting charges such as depreciation. The taxation position is shown in the Movement in Reserves Statement.
- 3.15 Further analysis of the figures reported in the CIES is contained within the disclosure notes that follow later in the document.

Movement in Reserves Statement

- 3.16 This statement shows the movement in reserves held by the Council during the year. It includes amounts charged in and out of the Income and Expenditure Account for accounting purposes that are not a charge on the council tax or local rent payer. It reconciles the accounting cost in the CIES to the cost of services funded through taxation.
- 3.17 The bottom line balance as at 31st March 2012 reflects the level of resources available whether unallocated or held within earmarked reserves, i.e. usable reserves. Other reserves such as the revaluation reserve reflect accounting transactions and are not available for spending, i.e. unusable reserves.

Balance Sheet

- 3.18 This shows the council's overall financial position as at 31st March 2012 with a comparison to the previous 2 years. It effectively shows the worth of the Council's assets and liabilities as currently valued. This includes the value of land and buildings, money owing to and from the Council, its reserves and provisions.

3.19 It also reports the value of the Council's pension liability under long-term liabilities. Again, further analysis is contained within the various disclosure notes that follow.

Reduction in Net Assets

3.20 One item to note is the reduction in the overall valuation of the Council's Assets. The valuation fell significantly during 2011/12 (£87m to £28m) due to the debt take-on under HRA self-financing (£57m), together with an increase in the Pension Fund Deficit (£17m to £22m).

3.21 However, the value of these liabilities represents the accounting cost at a point in time. Statutory arrangements for repaying the Debt and funding the Pension Deficit in the longer-term mean that the financial position of the Council is not affected in any one year.

Cash Flow Statement

3.22 This shows the actual inflow and outflow of cash for the year by adjusting the accounts for all non-cash transactions.

Disclosure Notes to the Financial Statements

3.23 These are designed to provide further explanation of the headline figures shown in the preceding statements. The notes are required under the Code of Practice to give added clarity and understanding for readers and users of the accounts.

3.24 The notes cover details of income and expenditure, the Council's accounting policies, together with explanations regarding the critical judgements and assumptions used in preparing the accounts.

Supplementary Financial Statements

3.25 These contain further detail relating to the ring-fenced Housing Revenue Account (HRA) and the Collection Fund. This shows the amounts collected in Council Tax and Business Rates and how that income has been distributed amongst the preceptors on that Fund.

Restatements and Prior Year Adjustments

3.26 Following a detailed review of the Council's Fixed Asset Register a number of assets within the Infrastructure and Community categories were determined to have been incorrectly capitalised. The amounts involved represented capital expenditure incurred in years prior to 2007 under the previous capital accounting regulations.

3.27 The expenditure and financing was accounted for on a cash basis in the year that the capital project was completed. No physical asset was created and typically the expenditure was incurred on assets such as parks and public

areas owned by other agencies. Under current capital accounting regulations, this expenditure is not required to be disclosed on the Council's asset register.

3.28 Although the correcting accounting transactions were reflected in the accounts for 2011/12, this meant that the previous 2 years also had to be restated for comparison purposes to reflect that the assets were not required to be disclosed.

3.29 There was no effect on the Council's overall income, expenditure or reserve balances. The accounting entries impacted on the Asset Valuations with corresponding entries in the Capital Adjustment Account.

Glossary

3.30 This is not required under the Code, but it is considered best practice to incorporate a dictionary to help explain the terms and phrases used in the accounts and financial statements.

4.0 Financial Implications

4.1 None directly.

5.0 Corporate Implications

5.1 None directly.

6.0 Community Implications

6.1 The production of the Council's statutory annual accounts and financial statements is an important part of stewardship and accountability for public resources.

6.2 Basically, it gives electors, those subject to locally levied taxes and charges, members of the Authority, employees and other interested parties detailed information about the Council's accounts and finances.

7.0 Background Papers

- Code of Practice on Local Authority Accounting in the United Kingdom 2011/12