
REPORT TO:	FINANCE and MANAGEMENT COMMITTEE - SPECIAL	AGENDA ITEM: 7
DATE OF MEETING:	29th SEPTEMBER 2011	CATEGORY: RECOMMENDED
REPORT FROM:	CHIEF EXECUTIVE OFFICER	OPEN
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SUBJECT:	ACCOUNTS and FINANCIAL STATEMENTS 2010/11	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 2010/11 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. In a change to previous years, the Committee are now 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 28th 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 several issues, they gave an unqualified opinion on the Council's accounts for 2010/11. Actions arising out of the final accounts process for 2010/11 will be monitored by the Audit Sub-Committee.
- 2.4 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 2010/11 in June 2011. Summary financial information was also published in the Council's Annual Report for 2010/11 which was issued in July. These reports summarise actual income and expenditure performance (against budget) for the year together with the level of Reserves at the year end.
- 3.4 In contrast, the Statement of Accounts is a highly 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; 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.

International Financial Reporting Standards (IFRS)

- 3.5 The accounts for 2010/11 are the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code of Practice has resulted in new financial disclosures and the restatement of various balances and transactions.
- 3.6 Consequently, some amounts presented in the financial statements are different from the equivalent figures presented in the accounts for the previous year 2009/10. This is to aid comparison. However, the overall "bottom line" of the Council has not changed, only presentation within.
- 3.7 The Audit Sub-Committee has monitored on a regular basis the Council's implementation of IFRS, issues arising, together with the adoption of relevant accounting policies.

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. It also outlines significant factors that affect the understanding of the accounts and sets out both the Council's and Chief Finance Officer's responsibilities for the accounts.

Governance Statement

- 3.10 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.
- 3.11 The Statement reports on the effectiveness of the framework for 2010/11 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 2011 for inclusion in the accounts.

Movement in Reserves Statement

- 3.12 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.
- 3.13 The bottom line balance as at 31st March 2011 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**.

Comprehensive Income and Expenditure Summary (CIES)

- 3.14 This is a summary that reports the net cost for the year of all functions for which the Council is responsible and shows how that costs has been financed from government grants and local taxpayers. The cost of services also includes capital accounting charges such as depreciation.
- 3.15 Further analysis of the figures is contained within the disclosure notes that follow later in the document.

Balance Sheet

- 3.16 This shows the council's financial position as at 31st March 2011, effectively the worth of its 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.
- 3.17 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.
- 3.18 One item to note is the reduction in the valuation of the Council's Assets. This is due to a reduction in the vacant possession discount applied to Council Dwellings (the Council's housing stock of 3,000 properties).
- 3.19 This has resulted in an impairment of £37m, i.e. the valuation of the houses has reduced by this amount and reflects the current housing market. After

taking some other smaller adjustments into account, this has reduced the overall value of the stock from £125m to £89m between 2010 and 2011.

Cash Flow Statement

3.20 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

3.21 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.

3.22 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.

First Time Adoption

3.23 This is a separate note which shows the adjustments made to the previous year's accounts following transition to IFRS.

Supplementary Financial Statements

3.24 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.

Glossary

3.25 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 2010/11