

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

21 June 2010

### Report of the Director of Finance

#### Part 1- Public

#### Delegated

#### 1 STATEMENT OF ACCOUNTS 2009/10

This report presents the Statement of Accounts for 2009/10 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom, Statement of Recommended Practice (SORP) for consideration and endorsement. The Accounts include the proposals recommended to Cabinet on 16 June 2010.

#### 1.1 Introduction

1.1.1 The Statement of Accounts for 2009/10 must be approved by the Council or a Committee of the Council by 30 June 2010.

1.1.2 Under the Council's constitutional arrangements responsibility for the approval of the Statement of Accounts is delegated to the General Purposes Committee. The General Purposes Committee has a meeting scheduled for 28 June in order to address this responsibility.

1.1.3 The role of this Committee is to consider and peruse the Statement of Accounts and to make recommendations as deemed appropriate to the General Purposes Committee. Due to the timing of meetings any recommendations deemed appropriate will be reported verbally to the meeting of the General Purposes Committee.

#### 1.2 Statement of Accounts

1.2.1 The SORP is issued by the Chartered Institute of Public Finance and Accountancy and is reviewed and as appropriate updated at least annually. The more significant changes applying to the financial year starting 1 April 2009 are:

- Adopting requirements for accounting for PFI schemes that are consistent with those contained in the Government's 2009/10 Financial Reporting Manual in order to ease the transition to International Financial Reporting Standards.

- The SORP now recognises that the Council acts as an agent for the three major precepting authorities and for the Government for council tax and national non-domestic rates respectively and, in so doing, introducing different requirements for accounting for council tax and national non-domestic rates.
- The SORP now requires the long-term and current parts of individual financial instruments (loans or investments) to be separated. Therefore, accrued interest on long-term investments is now shown under short-term investments as appropriate.
- Removal of larger parishes and community councils from the list of bodies to which the SORP applies.
- Accounting for reorganised local authorities.

1.2.2 This will be the last year for which a UK Generally Accepted Accounting Practice based SORP will be issued. The guidance that will apply to periods commencing on or after 1 April 2010 will be in a form of a Code of Practice on Local Authority Accounting based on International Financial Reporting Standards.

1.2.3 The Statement of Accounts for 2009/10 is enclosed with this agenda. It consists of the following individual financial statements and associated notes:

- 1) Income and Expenditure Account - the Council's main revenue account for the financial year, covering income and expenditure on all services.
- 2) Statement of Movement on the General Fund Balance - a statement showing the net amount required by statute and non-statutory practices to be debited or credited to the General Fund in determining a local authority's budget requirement.
- 3) Statement of Total Recognised Gains and Losses - a statement showing how the movement in the net worth of the Council, as shown in the Balance Sheet, links to the surplus or deficit in the Income and Expenditure Account and to other gains and losses.
- 4) Balance Sheet - sets out the financial position of the Council at 31 March 2010. It shows the Council's assets and liabilities, and its balances and reserves.
- 5) Cash Flow Statement - summarises the inflows and outflows of cash for both revenue and capital purposes.
- 6) Notes to financial statements numbered 1) to 5) above.
- 7) Collection Fund and associated notes - shows the total local taxation transactions in relation to business rates and council tax.

1.2.4 At **[Annex 1]** is an explanatory note, an overview, to accompany the Statement of Accounts. Furthermore, at **[Annex 2]** is a checklist certified by the Director of Finance in support of assertions made in the Statement of Responsibilities for the Statement of Accounts.

1.2.5 Members will note that, in accordance with the Accounts and Audit Regulations, and in my role as the Council's responsible financial officer, I have certified that the Statement of Accounts give a "true and fair view" of the financial position of the local authority at the end of the year and its income and expenditure for the year.

1.2.6 The Statement of Accounts is subject to external audit and the Audit Commission is due to commence the audit of the Accounts shortly.

### **1.3 Accounts and Audit Regulations 2003**

1.3.1 The Accounts and Audit Regulations require:

- The Council's responsible financial officer, to certify that the Statement of Accounts present a "true and fair view" of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.
- The Accounts to be approved by the 30 June.
- Authorities to have in place a sound system of corporate governance and that an Annual Governance Statement is included within the Statement of Accounts. The Annual Governance Statement should be signed by the most senior officer and senior member of the Council. The Annual Governance Statement can be found within the Statement of Accounts on pages 60 to 66.
- That following the approval of the Statement of Accounts by the relevant Committee, the Chairman of the receiving Committee signs and dates the Statement of Accounts.

1.3.2 Furthermore, the Accounts and Audit Regulations 2003 have been amended to expand the information to be included regarding remuneration in order to improve transparency in relation to public sector pay.

### **1.4 Statement of Auditing Standards**

1.4.1 Our External Auditor (the District Auditor) is required by the Audit Commission's statutory Code of Practice for Local Government bodies to issue a report to those charged with governance covering, amongst other things, the outcome of the audit of the Accounts. Under the Council's constitutional arrangements it is the General Purposes Committee that will receive this report. The report is expected to be presented to the General Purposes Committee meeting on 6 September 2010.

## **1.5 Revenue and Capital Outturn 2009/10**

- 1.5.1 At the time of writing this report, Cabinet, at its meeting on 16 June, is due to receive a joint report on the Revenue and Capital Outturn for the year 2009/10. That report and the associated Outturn Booklet contain details of variations between the 2009/10 revised estimates and outturn.
- 1.5.2 Members were advised at this meeting that the overall revenue outturn was within budget with a contribution to the General Revenue Reserve of £1,135,350, compared with the revised estimate figure of £821,350.
- 1.5.3 In addition, that we had as part of the closedown process undertaken a review of the specific earmarked reserves held by the Council and invited Cabinet to endorse a contribution of £50,000 to the Planning Inquiries reserve and £12,000 to the Leisure Services Business Unit reserve and has been reflected within the accounts.
- 1.5.4 **[Annex 3]** provides details of movements on the special projects reserve, other earmarked reserves and minor revenue adjustments agreed by the Director of Finance during the closedown process.

## **1.6 International Financial Reporting Standards**

- 1.6.1 As referred to above, from 1 April 2010 the Statement of Accounts is to be prepared in accordance with International Financial Reporting Standards (IFRS). The transition to IFRS is one of the most important changes to local government financial reporting for a number of years. The introduction of IFRS will result in the format of the financial statements changing and an increase in the information provided by way of notes to the accounts (disclosure requirements).
- 1.6.2 Officers are due to attend an IFRS training session in July and it would be our intention to arrange a training session for Members later in the year. During the summer we will produce an IFRS based Statement of Accounts for the financial year 2009/10 (to include an IFRS based balance sheet as at 1 April 2009) as the comparator year in readiness for the 2010/11 closure of accounts. It would be our intention to present this IFRS based Statement of Accounts to Committee to highlight and to explain differences.
- 1.6.3 We are of the view that we are making good progress in preparing for the introduction of IFRS. We have considered, amongst other things, our approach to component accounting in respect of property, plant and equipment; carried out a review of leases; and reviewed the Investment Property asset category and reclassified as deemed appropriate.
- 1.6.4 It is both our intention and in our interest to discuss issues with our external auditors to ensure they agree with our interpretation of the requirements and proposed approach, and we continue to look to do so.

## **1.7 Legal Implications**

- 1.7.1 There are a number of legislative requirements to consider in the preparation and publication of the Statement of Accounts which will be addressed as we move through the closedown process.

## **1.8 Financial and Value for Money Considerations**

- 1.8.1 As set out above.

## **1.9 Risk Assessment**

- 1.9.1 The Statement of Accounts is a statutory document and, therefore, failure to prepare and publish the Accounts in accordance with proper accounting practice and within the statutory timescale could adversely impact on our Use of Resources assessment.

## **1.10 Recommendations**

- 1.10.1 To note and endorse the Statement provided by the Director of Finance **[Annex 2]** in support of assertions made in the Statement of Responsibilities for the Statement of Accounts.
- 1.10.2 To note and endorse the contribution of £50,000 to the Planning Inquiries reserve and £12,000 to the Leisure Services Business Unit reserve.
- 1.10.3 To make such recommendations, as the Committee considers appropriate, to the General Purposes Committee for its meeting on 28 June.

Background papers:

Nil

contact: Neil Lawley  
Paul Worden

Sharon Shelton  
Director of Finance