

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

20 June 2011

Report of the Director of Finance

Part 1- Public

Delegated

1 STATEMENT OF ACCOUNTS 2010/11

This report presents the Statement of Accounts for 2010/11 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2010: Based on International Financial Reporting Standards for consideration and endorsement. The Accounts include the proposals recommended to the Cabinet meeting on 22 June.

1.1 Introduction

- 1.1.1 With the publication of the Accounts and Audit Regulations (England) 2011 (see below) the Statement of Accounts for 2010/11 must be approved by the Council or a Committee of the Council by 30 September 2011.
- 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.

1.2 Accounts and Audit Regulations

- 1.2.1 The Accounts and Audit Regulations 2003 as amended have been revised and consolidated with the publication of the Accounts and Audit Regulations (England) 2011. The revised Regulations come into force on 31 March 2011 and, therefore, apply to the financial year 2010/11.
- 1.2.2 The main changes relevant to us are:
- A revised procedure for the approval and publication of the Accounts. Previously, both the responsible financial officer and members were required to certify / approve an unaudited set of accounts by no later than 30 June. From 2010/11 only the responsible financial officer must certify an unaudited set of accounts for issue by no later than 30 June. The responsible financial officer and members subsequently certifying / approving an audited set of accounts for publication by no later than 30 September. Please note we are to follow the same certification / approval

process as in previous years for the 2010/11 Accounts and to consider what to do in future following this amendment to the Regulations.

- An amendment to make clear that the Annual Governance Statement is to accompany the published accounts, but is not part of the accounts.
- The removal of criminal penalties for non-compliance with the Regulations.

1.2.3 The Accounts and Audit Regulations require:

- The Council's responsible financial officer to certify an unaudited set of accounts for issue that present a "true and fair view" of the financial position of the Council as at 31 March 2011 and its income and expenditure for the year ended 31 March 2011 by no later than 30 June.
- The responsible financial officer and members to certify / approve an audited set of accounts for publication by no later than 30 September, and that following approval both the responsible financial officer and Chairman of the receiving Committee sign and date the Statement of Accounts.
- Authorities to have in place a sound system of corporate governance and that an Annual Governance Statement is to accompany, but is not part of the Accounts.

1.3 Statement of Accounts

1.3.1 This is the first year the Accounts are to be prepared in accordance with International Financial Reporting Standards. The changes in presentation and accounting introduced by the IFRS based code require restatement of the core financial statements reported in the 2009/10 Accounts including restatement of the Balance sheet as at 1 April 2009 and 31 March 2010. The transition (the changes made) to the core financial statements are explained and detailed in Note 2 on pages 26 to 30 of the Accounts.

1.3.2 The Statement of Accounts for 2010/11 is enclosed with this agenda. It consists of the following individual financial statements and associated notes.

- 1) Movement in Reserves Statement – this Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure and or reduce local taxation) and other reserves (those that the Council is not able to use to provide services, for example, the revaluation reserve).
- 2) Comprehensive Income and Expenditure Statement – this 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. The taxation position is shown in the Movement in Reserves Statement.

- 3) Balance Sheet – sets out the financial position of the Council at 31 March 2011. It shows the value of the Council's assets and liabilities, and its balances and reserves.
- 4) Cash Flow Statement – this summarises the inflows and outflows of cash and cash equivalents for both revenue and capital purposes.
- 5) Notes to the financial statements.
- 6) Collection Fund and Associated Notes – shows the total local taxation transactions in relation to business rates and council tax.

1.3.3 At **[Annex 1]** is a more detailed overview of the Statement of Accounts and at **[Annex 2]** a checklist certified by the Director of Finance in support of the assertions made in the Statement of Responsibilities for the Statement of Accounts.

1.3.4 Members will note 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 present 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.

1.3.5 The Statement of Accounts is subject to external audit and the District Auditor has recently commenced the audit of the Accounts.

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 Audit Practice 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 5 September 2011.

1.5 Revenue and Capital Outturn 2010/11

1.5.1 At the time of writing this report, Cabinet, at its meeting on 22 June, is due to receive a joint report on the Revenue and Capital Outturn for the year 2010/11. That report and the associated Outturn Booklet contain details of variations between the 2010/11 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 £481,600, compared with the revised estimate figure of £281,600.

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 as a result of this review and in liaison with Management Team made the following recommendations:

- The residual balance held on the Community Planning and Modernisation reserve is transferred to the Democratic Representation reserve.
- The Road Closures reserve is reduced by £10,000 and that this is transferred to the Democratic Representation reserve.
- Add a further sum of £12,611 to the Democratic Representation reserve.

1.5.4 **[Annex 3]** provides details of movements on the special projects reserve, other earmarked reserves and minor revenue adjustments to be agreed by Members or agreed by the Director of Finance during the closedown process.

1.6 Legal Implications

1.6.1 Compliance with the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting in the United Kingdom: IFRS Based Code is a statutory requirement. 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.

1.7 Financial and Value for Money Considerations

1.7.1 As set out above.

1.8 Risk Assessment

1.8.1 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 timescales could adversely affect the Council.

1.9 Equality Impact Assessment

1.9.1 See 'Screening for equality impacts' table at end of report

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 recommendations detailed at paragraph 1.5.3 following a review of the specific earmarked reserves held by the Council.

1.10.3 To make such recommendations, as the Committee considers appropriate, to the General Purposes Committee for its meeting on 27 June.

Background papers:

Nil

contact: Neil Lawley
Paul Worden

Sharon Shelton
Director of Finance

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	This report is factual in nature presenting the Statement of Accounts for 2010/11 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2010: Based on International Financial Reporting Standards.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	N/A	This report is factual in nature presenting the Statement of Accounts for 2010/11 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2010: Based on International Financial Reporting Standards.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		N/A

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.