

TONBRIDGE & MALLING BOROUGH COUNCIL

GENERAL PURPOSES COMMITTEE

25 June 2012

Report of the Director of Finance

Part 1- Public

Delegated

1 ANNUAL GOVERNANCE STATEMENT AND STATEMENT OF ACCOUNTS 2011/12

The Annual Governance Statement for the year ended 31 March 2012 was considered and endorsed by the Audit Committee at its meeting on 10 April. The Statement accompanies the 2011/12 Statement of Accounts. This report seeks endorsement of the Annual Governance Statement by this Committee.

This report also presents an unaudited set of Accounts for 2011/12 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 for consideration and approval. The Accounts include the proposals recommended to the Cabinet meeting on 20 June.

Annual Governance Statement

1.1 Introduction

1.1.1 Local authorities are required to prepare and adopt a Code of Corporate Governance. A Code of Corporate Governance was adopted by the Council in September 2003 and was further updated and approved by Members in February 2008.

1.1.2 The Statement accompanies the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation. Governing is about how local government bodies ensure they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

1.2 Audit Committee

1.2.1 The Annual Governance Statement for the year ended 31 March 2012 was presented to the Audit Committee at its meeting on 10 April.

- 1.2.2 The Statement is prepared by way of a self-assessment questionnaire and supporting evidence. The Statement is to be signed by both the most senior member and officer of the Council following its consideration and endorsement.
- 1.2.3 The Audit Committee at its meeting on 10 April considered and endorsed the 2011/12 Annual Governance Statement as presented and recommended its adoption subject to some minor textual amendments.

Statement of Accounts

1.3 Introduction

- 1.3.1 An audited set of Accounts for 2011/12 must be approved by the Council or a Committee of the Council by 30 September 2012. Under the Council's constitutional arrangements responsibility for the approval of the Statement of Accounts is delegated to this Committee. The Committee has a meeting scheduled for the 3 September to approve an audited set of Accounts.
- 1.3.2 The Audit Committee is due to consider and peruse the enclosed unaudited set of Accounts for 2011/12 on 18 June and to make such recommendations as the Committee considers appropriate. Due to the timing of meetings any recommendations deemed appropriate will be reported verbally at the meeting.

1.4 Statement of Accounts

- 1.4.1 This is the second year the Accounts are to be prepared in accordance with International Financial Reporting Standards. The Code of Practice on Local Authority Accounting in the United Kingdom 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 2011 are:

Heritage Assets

Heritage assets are defined as a tangible or intangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge or culture. Heritage assets where the Council holds information on their cost or value are to be recognised on the Balance Sheet. Where the Council does not hold information on the cost or value and it is considered that the cost of obtaining this information outweighs the benefit to the reader of the accounts such details as the Council holds are to be included in the notes to the financial statements.

- 1.4.2 An unaudited set of Accounts for 2011/12 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 2012. 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.
- 1.4.3 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.
- 1.4.4 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.
- 1.4.5 The Statement of Accounts is subject to external audit and the District Auditor is to commence the audit of the Accounts shortly.

1.5 Accounts and Audit Regulations

- 1.5.1 The Accounts and Audit Regulations (England) 2011 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 2012 and its income and expenditure for the year ended 31 March 2012 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.

1.6 Statement of Auditing Standards

1.6.1 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 3 September 2012.

1.7 Revenue and Capital Outturn 2011/12

1.7.1 At the time of writing this report, Cabinet, at its meeting on 20 June, is due to receive a joint report on the Revenue and Capital Outturn for the year 2011/12. That report and the associated Outturn Booklet contain details of variations between the 2011/12 revised estimates and outturn.

1.7.2 Members are to be advised at this meeting that the overall revenue outturn was within budget with a contribution from the General Revenue Reserve of £510,575, compared with the revised estimate figure of £1,242,100. The favourable outturn position of £731,525 includes the first instalment of the 2012/13 grant award under the New Homes Bonus scheme of £99,225.

1.7.3 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 setting aside £20,000 to engage the services of a consulting engineer to undertake site investigation and prepare costed options in respect of the river wall at Wouldham. In addition, approve an additional contribution of £50,000 to the Building Repairs Reserve. The above proposals have been reflected within the outturn position given above.

1.7.4 **[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 or to be agreed by Members.

1.8 Legal Implications

1.8.1 Compliance with the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 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.

1.9 Financial and Value for Money Considerations

1.9.1 As set out above.

1.10 Risk Assessment

1.10.1 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.

1.11 Equality Impact Assessment

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

1.12 Recommendations

1.12.1 To endorse the Annual Governance Statement for the year ending 31 March 2012 to accompany the 2011/12 Statement of Accounts.

1.12.2 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.

1.12.3 To note and endorse the recommendations detailed at paragraph 1.7.3 following a review of the specific earmarked reserves held by the Council.

1.12.4 To receive and approve the enclosed unaudited set of Accounts for 2011/12 and request that the Chairman sign the Accounts in the appropriate place.

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 an unaudited set of Accounts for 2011/12 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.
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 an unaudited set of Accounts for 2011/12 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.
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.