

CANNOCK CHASE COUNCIL
AUDIT & GOVERNANCE COMMITTEE
25 SEPTEMBER 2012
REPORT OF HEAD OF FINANCE
STATEMENT OF ACCOUNTS 2011-12

1. Purpose of Report

- 1.1 To report the audited statement of accounts for the financial year ended 31 March 2012.

2. Recommendation

- 2.1 That members having considered the Annual Governance Report (Audit commission) note the issues raised in that report.
- 2.2 That the Management Representation Letter of the Responsible Finance Officer be approved.
- 2.3 That the contents of the audited statement of accounts for the year ended 31 March 2012 be recommended for agreement by Council on the 26 September 2012.

3. Conclusions and Reasons for Recommendations

- 3.1 The accounts are required to be published by 30 September (Post Audit).

4. Summary

- 4.1 In accordance with the Accounts and Audit Regulations 2011, revised procedures have been in place for two years for the signing, approval and publication of the Statement of Accounts notably that the Council must, by no later than 30th September in the year immediately following the end of the year to which the statement relates:

(a) consider either by way of a committee or by the members meeting as a whole the statement of accounts;

(b) following that consideration, approve the statement of accounts by a resolution of that committee or meeting;

(c) following approval, ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval was given; and

(d) publish (which must include publication on the body's website), the statement of accounts together with any certificate, opinion, or report issued, given or made by the auditor under section 9 (general report) of the 1998 Act.

The responsible financial officer must re-certify the presentation of the statement of accounts before the relevant body approves it.

4.2 In addition the Council are required to publish an Annual Governance Statement with their financial statements. The Statement is required to be signed by the Leader and the Chief Executive.

4.3 In considering the audited account Members will need to take into account the Management Representation Letter and Annual Governance Report (Audit Commission) reports considered elsewhere on the agenda.

4.4 A copy of the accounts as amended by agreed changes forms part of a separate booklet distributed to Committee Members .

5. Key Issues and Implications

5.1 In the approval of accounts process it is a fundamental requirement of accountability that the accounts are subject to robust member scrutiny prior to approval.

5.2 Responsibility for considering the Statement of Accounts for approval forms part of the remit of the Audit & Governance Committee.

5.3 The Annual Governance Statement was considered and approved by Audit and Governance Committee on the 26 June 2012.

5.4 The role of Audit and Governance Committee is to determine having considered the External Auditors Report whether the accounts represent a true and fair view of the financial position of the Council as at the 31 March 2012.

5.5 This view is to be based upon the requirements of the Code of Practice etc and not the financial performance of the Council which should be evaluated by Scrutiny Committee if applicable based upon the outturn reports etc . Audit and Governance Committee may however refer any item for consideration to Scrutiny if it so desires either as result of the Auditors Opinion or an examination of the accounts.

5.6 In order to aid Members a detailed analysis of Material variances between years provides part of the commentary below.

5.7 The Statement of Accounts summarises the Council's transactions for the 2011-12 financial year and its position at the year-end of 31 March 2012. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12.

The accounts comply with the Best Value Accounting Code of Practice 2011-12 and relevant International Financial Reporting Standards.

5.8 The Statement of Accounts consists of the following key areas: -

- **Explanatory foreword.** (pages 3-12)

This is an introduction to the financial statements and summarises the key elements of the accounts.

The foreword includes an overview of the Councils Financial position and its prospects for the future both from a day to day service perspective and in its Investment and Maintenance of Assets.

- **Statement of Responsibilities** (page 13)

This states the responsibilities of both the Council and the nominated officer for the Statement of Accounts.

Core Financial Statements:

- **Movement in Reserves Statement** (page 15-16)

This statement analyses the movement during the year of the Councils Reserves as shown on the Balance Sheet.

The Total Reserves as shown on the Balance Sheet (Page 18) are analysed between Usable (available to fund revenue and capital expenditure) and unusable (reserves arising from accounting requirements such as unrealised gains and losses /revaluations etc) with Movements being determined from a) the Comprehensive Income and Expenditure Account (page 17) and b) Adjustments Relating to Items Chargeable/ not Funded under Council Tax and other Regulations (Note 7- Pages 39-43).

- The Statement for 2011-12 shows an increase in usable resources or reserves of £3,090,000
- This can be analysed as follows

Usable Reserves	£
Working Balances - General Fund	6,000
- - HRA	(293,000)
Capital Grants and Receipts	(506,000)
HRA Major Repairs Reserve	3,000,000
Earmarked Reserves – General fund	1,288,000
- - HRA	(405,000)
Total	3,090,000

- **Comprehensive Income and Expenditure Statement (CIES)** (page 17)

This statement combines the traditional Income and Expenditure Account and cost of service provision for the General Fund and Housing Revenue Account with gains and

ENCLOSURE 6.4

losses on its Net Assets as determined from the Balance Sheet. It also includes capital items as Income and Expenditure.

The CIES reflects generally accepted accounting practices rather than the Council Tax and HRA resource framework that is applicable to our budget setting process.

The account from a financial presentational perspective for this Council is confusing since it shows the combined net expenditure for all its services, after taking into account Council Tax income; Fees and Charges and Government Support as £69.712 million rather than a combined Deficit of the HRA and General Fund of £0.287 million as per our accounts and budget requirement.

In addition the Cost of Services as per the CIES has only decreased from £80.110 million in 2010-11 to £78.817 million in 2011-12, although there are major changes between years.

This is not a true reflection of the cost of services since the following additional notional or accounting transactions are now included in the 2011-12 accounts

	2010-11	2011-12
	£ million	£ million
Pensions Gains - Past Service Costs (2010-11 CR)	(12.370)	
Impairments change in value	72.964	
Fleming VAT Claim	(0.632)	(0.129)
HRA Debt Settlement		59.245

In order to make the accounts more meaningful the authority has traditionally separately identified such notional accounting practice transactions included gains and losses / capital transactions together with material adjustments between years, as separate lines rather than allocating to services and hence the Statement of Accounts was not fully compliant with the Code of Practice. In 2011-12 these items have been allocated to services, except for the HRA Debt Settlement and Fleming VAT reclaim, so the Statement of Accounts are now compliant with the Code of Practice.

As referred to above the Comprehensive Income and Expenditure Statement does not separately identify the actual financial performance of the Council for its HRA and General Fund and this is more accurately contained in the Movement in Reserve Statements.

- Column 1 page 15 shows that General Fund Balance increased (surplus for the year) by £6,000 in the year some £143,000 in excess of the Medium Term Budget Forecast as agreed by Council in March.
- Column 2 shows an decrease in Housing Revenue account balances of £293,000 some £490,000 less than the projected transfer from balances reported in the HRA Medium Term Budget Forecast. (The variance was similarly reported to Cabinet in July of this year).

ENCLOSURE 6.5

The above being determined from the Statements as follows:

	General Fund	HRA	Total
	£000	£000	£000
CIE account	8,925	60,787	69,712
Adjustments between Accounting Basis and Funding basis	(9,492)	(60,124)	(69,616)
Net (increase) / Decrease	(567)	663	96
Transfer (from) /to reserves	561	(370)	191
(Surplus) / Deficit in Year	(6)	293	287

An analysis of the Adjustments to the Accounts for 2011-12 are detailed in Note 7 to the Accounts (page 39 onwards) and are also referred to below in the commentary on the Balance Sheet.

- **Balance Sheet (Page 18)**

The Balance Sheet comprises two elements.

- The Net Assets of the authority and the equivalent Reserves that match them.
Net assets are represented by Fixed/Long Term (Non Current) and current (within 12 months) offset by current and long term liabilities.
- Reserves are analysed between usable and non usable as referred to above
- The Balance Sheet on first impressions is quite alarming with the net Assets and Reserves of the Authority reducing from £140.218 million to £70.786 million.
- The primary cause relates to Long term Liabilities which shows an increase of £71.345 million in the year with £59.245 million relating to the new borrowing in respect of the HRA Debt Settlement.
- The other material change in net assets is an increase in the Pensions Liability by £7 million. This however represents a snap shot as at 31 March 2012 of a fund that is managed long term and hence represents an accounting and reporting consideration rather than a cash consideration. The change has no impact on the Balance Sheet or net position since adjustments are made to the Revaluation Reserve and Capital Adjustment Accounts, both unusable reserves of the authority.

- In relation to other Balance Sheet Items a key element of short term Financial Standing is the Net Current Assets of the Authority and this remained fairly static for 2011-12 with Cash Balances and amounts due to the authority outweighing current liabilities by £6.3 million

- **Cash Flow Statement (page 19)**

This summarises the total movement of cash to and from the authority or, simply, where the money came from and where it was spent. This information is not easily obtained elsewhere in the accounts and provides a different representation of the Cash and Cash Equivalents as detailed in the Balance Sheet.

- Cash and Cash Equivalents have remained fairly static between the two years.

- **Notes to the Core Financial Statements.**

The Notes to the Accounts provided a detailed analysis of material items or disclosure requirements as contained in the Core Financial Statements

Key notes or changes include

- **Note 1- Statement of Accounting Policies (pages 20 -33)**

In the 2011-12 Statement of Accounts, the Council has adopted one new accounting policy that impact on the comparative figures for 2010-11 in the Balance Sheet:

- Heritage Assets – the effect of this is detailed in note 13 on page 49.

Housing Revenue Account.(Pages 83- 87)

The Housing Revenue Account is reflected in the Comprehensive Income and Expenditure Statement nevertheless there is a statutory obligation to account separately for local authority housing provision.

Income and expenditure on Council housing is 'ring fenced' within the HRA.

- **Collection Fund (pages 88-90)**

This again reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

- The surplus on the Collection Fund amounts to £818,000 with £109,000 attributable to CCDC. This represents an improvement of £42,000 on the Medium Term position as reported to Council in March 2012.

6 Conclusions

- 6.1 That the recommendation at paragraph 2 be approved.

7 **Other Options Considered**

7.1 There are no other options to be considered.

8 **Report Author Details**

Suzanne Campbell (Deputy Head of Finance - Cannock) Ext. 4389.

SCHEDULE OF ADDITIONAL INFORMATION

Contribution to Council Priorities	Section 1
Contribution to Promoting Community Engagement	Section 2
Financial Implications	Section 3
Legal Implications	Section 4
Human Resource Implications	Section 5
Section 17 (Crime Prevention) Implications	Section 6
Human Rights Act Implications	Section 7
Data Protection Act Implications	Section 8
Risk Managements Implications	Section 9
Equality and Diversity Implications	Section 10
List of Background Papers	Section 11
Report History	Section 12
Annexes to the Report i.e. copies of correspondence, plans etc.	

Section 1

Contribution to Council Priorities

The Statement of Accounts represents the agreed financial reporting of the outturn for revenue budgets and capital programmes for 2011-12. These approved budgets represent the agreed priorities of the Council as determined by the Delivering Change process and hence have directly contributed to Council Priorities as part of a medium term financial strategy. The financial outturn report reflects the financial performance for the year with the direct contribution being reflected in service performance outturn.

Section 2

Contribution to Promoting Community Engagement

There is no contribution to Promoting Community Engagement

Section 3

Financial Implications

There are no direct financial implications as a result of this report.

Section 4

Legal Implications

The legal implications are set out throughout the report.

Section 5

Human resource Implications

There are no direct human resource implications as a result of this report.

Section 6

Section 17 (Crime Prevention) Implications

There are no Section 17 (Crime Prevention) implications as a result of this report.

Section 7

Human Rights Act Implications

There are no identified implications in respect of the Human Rights Act 1998 arising from this report.

Section 8

Data Protection Act Implications

There are no identified implications in respect of the Data Protection Act.

Section 9

Risk Management Implications

There are no direct risk management implications of this report.

Section 10

Equality and Diversity Implications

There are no equality and diversity Implications arising from this report.

Section 11

List of Background Papers

Statement of Accounts 2011-12

Cabinet 19 July 2012 & 21 June 2012

Housing Revenue Account Provisional Outturn, 2011-12
Housing Revenue Account Capital Programmes, 2011-12 and 2012-13

Section 12

Report History