

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Corporate Governance Committee

29 June 2012

**AUTHOR/S:** Executive Director (Corporate Services)/ Head of Accountancy

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### STATEMENT OF ACCOUNTS 2011/12 (SUBJECT TO AUDIT)

#### Purpose

1. To endorse the Statement of Accounts distributed as a separate document.

#### Recommendations

2. The Corporate Governance Committee is recommended to endorse the Statement of Accounts for 2011/12.

#### Background

3. The Accounts and Audit Regulations 2003 used to require the draft statement of accounts to be approved before the 30th June by Council or by a delegated Committee.
4. The Accounts and Audit Regulations 2011 changed the approval requirements so that the responsible financial officer (in this Council, the Executive Director (Corporate Services)) must, no later than 30th June, sign and date the statement of accounts and certify that it presents a true and fair view of the financial position of the Council at the year end and of the income and expenditure for the year.
5. The Council or a delegated Committee must then, no later than 30th September, consider and approve the statement of accounts - so that, when Members approve the accounts, the results of the audit of accounts will be known and any amendments required by the auditors and agreed by the Council will be incorporated in the accounts submitted for approval.
6. In October 2000, a statutory instrument was issued setting out the functions which were not to be the responsibility of an authority's executive. One of these functions was the duty to approve the authority's statement of accounts. At its meeting in March 2007, Council resolved that the terms of reference of the Audit Panel (now known as the Corporate Governance Committee) be extended to incorporate approval of the Statement of Accounts.

#### Considerations

7. I am pleased to report that the Statement of Accounts for 2011/12 has been produced, subject to audit. The production of the accounts under international financial reporting standards is complex and involved and requires a significant and concentrated staff commitment to meet the statutory deadlines.
8. The contents of the Statement of Accounts are largely determined by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) issued by Chartered Institute of Public Finance and Accountancy. The Code is updated

annually and is based on international financial reporting standards. The main financial statements are:

- i. a movement in reserves statement which shows all reserves and the movement in usable reserves, such as the general fund and housing revenue account working balances which can be used to provide services or keep down council tax/rent increases, and the movement in unusable reserves which are mainly accounting balances;
- ii. a comprehensive income and expenditure statement which combines the income and expenditure account and the statement of total recognised gains and losses and which includes a material item for 2011/12:

On 28 March 2012, the Council raised a loan of £205.123 million from the Public Works Loan Board, a government agency, to finance the payment of a similar amount to the Department for Communities and Local Government (DCLG). Under accounting standards, the payment to the DCLG has to be shown in the comprehensive income and expenditure statement and this is the main reason for the deficit of £212.832 million.

The amount of £205.123 million is reversed out as an adjustment between the accounting basis and the funding basis under regulations so it does not affect the working balances as at 31 March 2012 which the Council has available for future use. This is explained more fully in note 10 to the accounts "Material items of income and expenditure" and the net effect is shown in the balance sheet where a new item of long term borrowing £205.123 million appears with a corresponding reduction (in the capital adjustment account) in unusable reserves;

- iii. a balance sheet which again reflects the distinction between usable and unusable reserves; and
  - iv. much of the detail in the above statements, and the cash flow statement, is now shown in the notes to the accounts.
9. The Code for 2011/12 also introduces a change in accounting policies which affect this Council with regard to heritage assets which are maintained principally for their contribution to knowledge and culture.
  10. The explanatory foreword is intended to explain in overall terms and in an easily understandable manner the Council's financial position including a comparison of actual expenditure with original estimate. A more detailed report on actual expenditure compared to original estimate will be submitted to the Cabinet meeting on 12 July.
  11. In view of the detailed technical processes involved in the preparation of the Statement of Accounts and accompanying explanatory information, it will be helpful if Members provide advance notice of any questions, thereby allowing time for any associated research to be completed.
  12. The Statement of Accounts is issued subject to audit. The audit is due to take place in June/July/August. The accounts and other related documents will be available for inspection by the public for 20 working days and electors or their representatives may question the auditor about the accounts and make objections on an appointed day which is Monday 10th September 2012.

13. The Statement of Accounts will be published on the Council's website.

### Options

14. The Committee may propose amendments and improvements to the presentation of the Statement of Accounts.

### Implications

15. Financial	The actual working balances will be incorporated in the next review of the Medium Term Financial Strategy.
Legal	The Code constitutes a proper accounting practice under the Local Government Act 2003 and local authorities are legally required to comply with the Code.
Staffing	In future years, there is a risk that the accounts may not be closed in accordance with the statutory deadlines if vacancies and/or sickness occur at critical times. This is a reputational risk – there are no financial penalties for not complying with the deadline.
Risk Management	The short deadlines and increasing complexity allow less time for preparation, checking and reviewing and there is, therefore, also the risk that errors may occur in the Statement of Accounts.
Equality and Diversity	None
Equality Impact Assessment completed	No
Climate Change	None

### Consultations

16. None.

### Consultation with Children and Young People

17. None.

### Effect on Strategic Aims

18. This report has no direct implications for any of the Strategic Aims but any variation in the expenditure on individual services might have affected the achievement of the aims, approaches and actions.

**Background Papers:** the following background papers were used in the preparation of this report:

Statement of Accounts distributed as a separate document and associated working papers

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