

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Corporate Governance Committee

8 July 2011

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

STATEMENT OF ACCOUNTS 2010/11

Purpose

1. To endorse the Statement of Accounts (to be distributed later as a separate document).

Recommendations

2. The Corporate Governance Committee is recommended
 - (a) to endorse the Statement of Accounts for 2010/11; and
 - (b) note that the Chairman will be consulted on the content and format of the summary of accounts.

Reasons for Recommendation

3. To endorse the Statement of Accounts and agree on the most effective way of finalising the summary.

Background

4. The summary of accounts for the previous year 2009/10 is on the website as an example of the format at http://www.scamb.gov.uk/documents/retrieve.htm?pk_document=909511 and copies will be distributed at the meeting.
5. 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.
6. 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.
7. 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.
8. 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

9. I am pleased to report that the Statement of Accounts for 2010/11 has been produced, subject to audit.
10. 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; it was previously based on UK generally accepted accounting policies but for 2010/11 it is now based on international financial reporting standards. There are, therefore, extensive changes to the Statement of Accounts, summarised as:
 - i. a new 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 now combines the previous income and expenditure account and the statement of total recognised gains and losses;
 - iii. a balance sheet which again reflects the distinction between usable and unusable reserves;
 - iv. much of the detail in the above statements and the cash flow statement is now shown in the notes to the accounts; and
 - v. a new note to the accounts, "Amounts reported for resource allocation decisions", commonly known as segmental reporting which shows summarised income and expenditure on a portfolio basis and then reconciles this to the comprehensive income and expenditure statement.
11. The Code also introduces several changes in accounting policies which affect this Council with regard to:
 - accruing for holiday and other leave earned but not taken by the year end;
 - non-current assets held for sale; and
 - capital grants and contributions.

These changes are retrospective and extensive work has been required to restate the balance sheets as at 1st April 2009 and 31st March 2010 and the accounts for the previous year 2009/10 to take account of these changes.

12. Other changes in accounting policies such as property and equipment leases and component accounting have also had to be considered to assess whether they are applicable to this Council.
13. The accounts also include a note, "Material items of income and expenditure", which briefly mentions a reduction in expenditure of around £11 million resulting from the reduction in pension liabilities in respect of past service as a result of future pensions being indexed to consumer prices rather than retail prices and a revaluation loss of

just over £60 million as the Department of Communities and Local Government have changed the basis for valuing social housing. Both these items are included in the comprehensive income and expenditure statement and affect the deficit for the year but they are then reversed out in the statement of movement in reserves so that they do not impact on the level of council tax and/or rents.

14. 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 brief statement will also be included on a forthcoming Members' bulletin outlining the key financial issues.
15. 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.
16. The Statement of Accounts is issued subject to audit. The audit is due to take place in 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 12th September 2011.
17. The Statement of Accounts will be published on the Council's website together with, in due course, a summary of the accounts which will be simplified and easier to understand. The summary is becoming increasingly important as a means of communicating with Members and the public as the main Statement of Accounts becomes increasingly complex and technical.

Options

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

Implications

19. 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

20. None.

Consultation with Children and Young People

21. None.

Effect on Strategic Aims

22. 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 to be distributed later as a separate document and associated working papers

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