

<b>Subject:</b>	Annual Governance Statement and Draft Statement of Accounts 2010/11	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit & Accounts Committee	<b>Date:</b>	15 <sup>th</sup> June 2011
<b>Report of:</b>	Finance Manager	<b>Portfolio Holder:</b>	Finance and Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Community Impact Assessment:</b>	Required:	No	Attached: No
<b>Biodiversity Impact Assessment</b>	Required:	No	Attached: No
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1.	<b>RECOMMENDATION(S)</b>
1.1	<p>The Members note the contents of this report and</p> <ul style="list-style-type: none"> <li>• Approve the Annual governance Report at <u>Appendix 1</u>.</li> <li>• Note the Draft Statement of Accounts at <u>Appendix 2</u> ahead of Audit and Public Inspection from June to August</li> </ul>

## 2. PURPOSE OF REPORT

- 2.1 The purpose of the report is to seek Member approval of the Annual Governance Statement: Year ended 31<sup>st</sup> March 2011 and share with Members the Draft Statement of Accounts for the year ended 31<sup>st</sup> March 2011 ahead of the public inspection and external audit regime.

## 3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **Responsive and value for money local services** – The Statement of Accounts shows a General Fund surplus of £47k, following a transfer of £123k unspent 2010/2011 budget to the Directorate Investment Reserve and the prudent creation of a Vehicle Replacement Provision of £188k. The level of these savings during 2010/2011 is a reflection of the efforts made across the Council to identify efficiencies to meet the Medium Term Financial Strategy.

## 4. RISK ASSESSMENT IMPLICATIONS

- 4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:
- *Operational Governance and Risks:* the Annual Governance Statement: Year ended 31<sup>st</sup> March 2011 details the significant risks faced by the Council and the measures in place to mitigate, manage and monitor those risks.
  - *Level of General Fund Reserves:* The Council must set a level of General Fund reserves based on an assessment of the potential risks to which the Council is exposed. Through its Medium Term Financial Strategy in February 2010, and more especially in the update in February 2011, the Council acknowledged the increasing risks in the general economic environment by increasing the suggested minimum level of General Fund balances to £1m. The Balance Sheet in the Draft Statement

of Accounts at Appendix 2 shows the General Fund Balance at the 31<sup>st</sup> March 2011 increased by £47k during 2010/2011 to £963k.

- *Contingent Assets and Liabilities:* An assurance will be submitted verbally to the Members at the Committee to confirm the current position with regards to Contingent Assets and Liabilities.
- *External Audit:* The Council's Draft accounts will now be subject to audit by the District Auditor. Final audited accounts will be submitted to this committee on 6<sup>th</sup> September 2011.

## 5. BACKGROUND AND OPTIONS

The Annual Governance Statement: Year ended 31<sup>st</sup> March 2011 is at Appendix 1, and included at page 11 of the Statement of Accounts.

The Draft Statement of Accounts 2010/2011 is attached at Appendix 2.

### 5.1 Annual Governance Statement: Year ended 31<sup>st</sup> March 2011

The Annual Governance Statement has been updated for the year ended 31<sup>st</sup> March 2011. Whilst much of the Statement remains the same as in previous years, the significant issues have been fully reviewed.

Partnerships and their governance arrangements remains a focus of attention. Though work has been undertaken during 2010/2011 to strengthen the Council's position, there is still room for improvement.

Added this year is the risk around balancing priorities and resources over the Medium Term Financial Strategy. Activity is ongoing across the Council to identify further savings opportunities as well as to ensure the implementation of those included in the 2011/2012 budget approved in February. Regular and robust monthly financial monitoring over the coming year(s) will contribute towards the assurance mechanism for senior management and members.

### 5.2 Draft Statement of Accounts 2010/2011

The financial monitoring of the revenue position at the end of March predicted a transfer of £123k to the Directorate Investment Reserve and the creation of a Vehicle Replacement Provision of £188k.

The Explanatory Foreword on pages 7 to 9 explains the breakdown of the final out-turn position, but the segmental reports on pages 70 and 71 explain how the Income & Expenditure Account figures differ from the operational reporting throughout the year. Overall there has been a net increase in the General Fund Reserve of £49k after £149k net transfer to Earmarked Reserves and £271k application of revenue resources to support capital projects.

The Movement in Reserves Statement on page 16 reflects the changes to Useable Reserves as explained in the table below. Useable Reserves are the cash-backed resources of the Council and these have increased by £903k during the year.

The bottom line of the Balance Sheet on page 18 shows a favourable movement of £11,136k, but £10,030k of this relates to the valuation of the assets and liabilities held for Rossendale Borough Council in the Lancashire Pension Fund following the publication of the full revaluation of the Fund in March this year.

Members will notice that 2010/2011 figures for the Rossendale Leisure Trust and Rossendale Transport Ltd have not been included in these accounts. These figures will be

supplied during the audit period and included within the final Statement of Accounts.

<b>Significant Changes in Useable Reserves</b>	<b>£000s</b>
<b>General Fund Reserve</b>	<b>47</b>
<b>Transfers to/(from) Earmarked Reserves</b>	
Directorate Investment Reserve	123
Performance Reward Grant	176
Area Based Grant	181
Housing Strategy Reserve	187
Planning & Regeneration projects	-261
Leisure Projects	-41
Equal pay claims settlements	-112
Other usage of Reserves	-104
	<b>149</b>
<b>Change in Capital Receipts</b>	
New receipts (net of costs of sale)	497
Receipts used to fund capital projects	-627
	<b>-130</b>
<b>Change in Grants Unapplied at year-end</b>	
Regional Housing Grant	325
Housing Market Renewal Grant	508
	<b>833</b>
<b>Overall favourable change in Useable Reserves</b>	<b>899</b>

### 5.3 Public Inspection and Audit

The Draft Statement of Accounts 2010/2011, including the Annual Governance Statement, will now be submitted for public inspection and external audit. The District Auditor has set the 8<sup>th</sup> August as the appointed day on or after which local government electors in the borough can question the auditor about the accounts. The public have the right to inspect the accounts for 20 working days prior to this date and in accordance with the regulations 14 days notice of these rights must be given. Therefore an advert will be placed in the Rossendale Free Press and Rochdale Observer on the weekend of the 17<sup>th</sup>/18<sup>th</sup> June 2011 and similar information displayed on the Council's website. The accounts will then be available on the website and at the One Stop Shop.

The Audit Commission staff received the Draft Statement of Accounts on the 6<sup>th</sup> June 2011 when this report was made public for the Committee agenda. Working papers have already been provided to the audit staff and their scrutiny has already commenced.

### 5.4 Presentation of Audited Accounts

Following the audit the District Auditor will report his findings to this Committee on the 6<sup>th</sup> September, along with an audited version of the Statement of Accounts for final approval and publication.

## COMMENTS FROM STATUTORY OFFICERS:

### 6. SECTION 151 OFFICER

- 6.1 The General Fund balance at 31<sup>st</sup> March 2011 remains within the range recommended in the Medium Term Financial Strategy.

## **7. MONITORING OFFICER**

7.1 Unless specifically commented upon within the report, there are no specific implications for consideration.

## **8. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)**

8.1 Unless specifically commented upon within the report, there are no implications for consideration.

## **9. CONSULTATION CARRIED OUT**

9.1 Directors, Heads of Services and Budget Holders have been consulted throughout the year in the monitoring and reporting of the financial position of the Council. There has not been any significant difference between the figures reported to Cabinet for the end of March and those included within the Statement of Accounts, though presentation must follow the statutory requirements rather than local operational custom and practice.

## **10. CONCLUSION**

10.1 The strong General Fund monitoring throughout the year has resulted in

- an improvement of £49k in the General Fund Balance,
- a net addition of £149k to the Earmarked Reserves
- a net increase in useable reserves of £903k and
- an increase in provisions for future costs of £410k, £188k relating to the vehicle replacement provision.

10.2 Despite a successful outcome to 2010/2011 both in terms of finance and performance, the challenge remains for Council to continue its efficiency agenda in order to realise its medium term saving target of £1m, as noted in the Annual Governance Statement: Year ended 31<sup>st</sup> March 2011.

### Background Papers

Document	Place of Inspection
Monthly detailed financial monitoring statements for each service area	Financial Services
Final Accounts working papers	Financial Services