

Subject:	Statement of Accounts 2010/11	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	6 th September 2011
Report of:	Finance Manager	Portfolio Holder:	Finance and Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
Community Impact Assessment:	Required:	Yes/No	Attached: Yes/No
Biodiversity Impact Assessment	Required:	Yes/No	Attached: Yes/No
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1.	RECOMMENDATION(S)
1.1	<p>The Members note the contents of this report and</p> <ul style="list-style-type: none"> Approve amendments made during the Audit at <u>Appendix 1</u>. Approve the audited Statement of Accounts for 2010/2011 at <u>Appendix 2</u>.

2. PURPOSE OF REPORT

- 2.1 The purpose of the report is to seek Member approval Statement of Accounts for the year ended 31st March 2011 following the public audit, including the changes made since the submission of the draft accounts in June.

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** – Following audit the Statement of Accounts continues to show a General Fund surplus of £47k, though there has been a change from provisions to earmarked reserves of £367k.
 - Overall the Council reduced the costs of its services by £460k (see table below) when compared to the original budget, savings which are a reflection of the efforts made across the Council throughout 2010/2011 to identify efficiencies to meet the Medium Term Financial Strategy.

Operational savings in 2010/2011	£000
Overall General Fund Surplus	47
PLUS	
Additions to Directorate Investment Reserve	123
Additions to Vehicle Maintenance & Replacement Reserve	223
Additions to Corporate Contingency Reserve	67
	<u>460</u>

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 31st 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 audited Statement of Accounts at Appendix 2 continues to show that the General Fund Balance increased by £47k during 2010/2011 to £963k at the 31st March 2011.

5. BACKGROUND AND OPTIONS

The changes made to the accounts during the audit are attached at Appendix 1.

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

Changes made during the audit

5.1 The table at Appendix 1 shows the changes made to the accounts during the audit and which officers consider material. There were also a number of changes to the text within the accounts which do not affect the overall presentation.

The main changes to the accounts, as noted in Appendix 1, were as follows:

- 1 & 2 Amendments to calculations of recharges between services made by officers during the closure of the accounts. Whilst these did not affect the Council's overall position, they did reduce the property-related costs attributable to Trading Accounts, specifically the Markets.
- 3 to 5 Amendments to figures within the disclosure notes which did not affect the main Statements at all.
- 6 & 7 Capitalisation of borrowing costs – following technical advice, the capitalised interest costs of £213k have been removed from both the Comprehensive Income and Expenditure Account and from the Movement in Reserves Statement.
- 8 In accordance with the tighter definitions of Provisions within the International Financial Reporting Standards (IFRS), two amounts have been reclassified as Earmarked Reserves since no contractual obligations exist at the Balance Sheet Date. These are now shown in Note 34a as the Vehicle Maintenance & Replacement Reserve of £262k and the Corporate Contingency Reserve at £105k.
- 9 Following the adoption of IFRS assets formerly classed as Investment Assets were reclassified, at which point any balances on the Revaluation Reserve must be written off to the Capital Adjustment Account. This adjustment performed that write-off of £89k between the two Unusable Reserves, as shown now in Note 2 text on page 32 and the table on page 33.
- 10 to 12 These were presentational changes made to ensure that the IFRS-based accounts follow the new formats exactly. Two related to the changes in pensions following the adoption of consumer price index as a method of inflation forecasting and the actuarial gains arising from the full actuarial revaluation. The third item related to the presentation of the 2009/10 impairment of the Business Centre at Futures Park.

- 13 The availability of accounts from Rossendale Transport Ltd has enabled full Group Accounts to be calculated and Note 22 to be updated. In addition, the accounts from Rossendale Leisure Trust have provided figures for inclusion in the text on Related Parties at Notes 13 and Contingent Liabilities at Note 37.
- 14 Additional disclosure items included the addition of a note on page 44 relating to the Heritage Assets which will need to be added to the accounts in 2011/2012 upon the adoption of the updated Code of Accounting Practice.

Other amendments included disclosure of the Council's policy on the capitalisation of borrowing costs

5.2 **Draft Statement of Accounts 2010/2011**

Though the changes in Appendix 1 include some material figures, the net effects on the Council's Core Statements are not material. Though the Comprehensive Income and Expenditure Statement has increased by £564k to a net income of £11,503k, the General Fund Reserve has not changed at all. This is because within the Movement in Reserves Statement the transfer to Earmarked Reserves has increased by £367k (change 8) and the effects of changes 6 and 7 netted each other out (with another minor correction of £16k). The Balance Sheet Net Assets/Total Reserves figure has changed by the same £367k with the movement between Provisions and Earmarked Reserves.

- 5.3 The above changes have been reflected in the top section of the Cash Flow Statement, but do not affect the 'Net cash flows from Operating Activities'.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

- 6.1 The General Fund balance at 31st March 2011 remains at £963k, which is 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 The audit process included the availability of the accounts for public inspection of the accounts between the 8th July and the 5th August. The District Auditor has confirmed that no subsequent representations were received from members of the public.

10. CONCLUSION

- 10.1 Though there seem to be a number of changes to the accounts, the complex nature of statutory reporting is that one change has multiple impacts on other statements and notes within the accounts.

- 10.2 On the whole the preparations made by staff over the last 2 years have enabled the transition to IFRS accounts in a shorter time frame than allowed for the accounts in previous years. However, some lessons have been learnt during the audit process which should reduce the volume of changes in future years
- 10.3 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 Council's Annual Governance Statement: Year ended 31st March 2011 on page 14.

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

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