

Subject:	Annual Governance Statement and Draft Statement of Accounts 2011/12	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	20 th June 2012
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
Contact Officer:	Janice Crawford	Telephone:	01706 252416
Email:	janicecrawford@rossendalebc.gov.uk		

1.	RECOMMENDATION(S)
1.1	<p>The Members note the contents of this report and</p> <ul style="list-style-type: none"> Approve the Annual governance Report at Appendix 1 Note the Draft Statement of Accounts at Appendix 2 ahead of Audit and Public Inspection from June to August

2. PURPOSE OF REPORT

- 2.1 The purpose of the report is to seek Member approval of the Annual Governance Statement: Year ended 31st March 2012 and share with Members the Draft Statement of Accounts for the year ended 31st March 2012 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 deficit of £10k, however, this follows a transfer of £192k surplus recycling income to the Transitional Reserve and £115k of operational savings to the Directorate Investment Reserve. The level of the latter operational savings during 2011/2012 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 31st March 2012 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 the Council has acknowledged the level of risks in the general economic environment through a suggested minimum level of General Fund balances of £1m. The Balance Sheet in the Draft Statement of Accounts at Appendix 2 shows the General Fund Balance at

the 31st March 2012 was £953k.

- *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 19th September 2012.

5. BACKGROUND AND OPTIONS

The Annual Governance Statement: Year ended 31st March 2012 is at Appendix 1, and included at page 11 of the Statement of Accounts.

The Draft Statement of Accounts 2011/2012 is attached at Appendix 2.

5.1 Annual Governance Statement: Year ended 31st March 2011

The Annual Governance Statement has been updated for the year ended 31st March 2012. 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 to strengthen the Council's position, there is still room for improvement.

The risk around balancing priorities and resources over the Medium Term Financial Strategy continues. Activity is ongoing across the Council to identify further savings opportunities as well as to ensure the implementation of those included in the 2012/2013 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.

New this year is reference to the risks around the central government localism agenda. Over the next two years this will affect three major areas for the Council – housing benefits, council tax benefits and non-domestic rates. Officers have already begun to work on these in partnership with other authorities across Lancashire to ensure that the potential impacts are understood in time for the 2013/2014 budget planning exercises.

5.2 Draft Statement of Accounts 2011/2012

The financial monitoring of the revenue position at the end of March predicted a transfer of £115k to the Directorate Investment Reserve and a £15k transfer to the General Fund Reserve. Whilst the first was completed as planned, some minor corrections to year-end creditors resulted in a General Fund deficit of £10k.

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 Comprehensive Income & Expenditure Account on page 17 differs from the operational reporting throughout the year.

The financial monitoring report at the end of March predicted an Earmarked Reserves balance of £3,753k whereas Note 34 on page 61 shows a balance of £5,153k (excluding the non-cash Transport Reserve relating to shares in Rossendale Transport Ltd). The favourable difference arose partly from the delayed use of the Leisure Reserve to finance the conclusion of the Marl Pits project in 2012/13 and partly from the receipt of £777k in respect of an old VAT reclaim and the resulting interest.

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 decreased by £973k to £8,578 during the year.

Significant Changes in Useable Reserves	£000s
General Fund Reserve	-10
Transfers to/(from) Earmarked Reserves	
Directorate Investment Reserve	115
VAT reclaim	777
Valley Centre	-1369
Transitional Budget Support	815
Pension Fund payments	-215
Area Based Grant projects	-65
Performance Reward Grant projects	-68
Other usage of Reserves	-142
	-152
Change in Capital Receipts	
New receipts (net of costs of sale)	111
Receipts used to fund capital projects	-323
	-212
Change in Grants Unapplied at year-end	
Disabled Facilities Grants	571
less DFG usage	-571
Homes & Communities Grant	350
less HCA usage re Queen Street hostel	-350
Application of Regional Housing Grant	-50
Application of Housing Market Renewal Grant	-437
Other grants received	240
less Other grants applied	-352
	-599
Overall favourable change in Useable Reserves	-973

The bottom line of the Balance Sheet on page 18 shows an adverse movement of £2,528k, but this includes an adverse movement of £3,971k relating to the valuation of the assets and liabilities held for Rossendale Borough Council in the Lancashire Pension Fund.

5.3 Public Inspection and Audit

The Draft Statement of Accounts 2011/2012, including the Annual Governance Statement, will now be submitted for public inspection and external audit. The District Auditor has set the 6th 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 15th/16th June 2012 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 11th June 2012 when this report was made public for the Committee agenda. Working papers to

support the Statement have 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 19th 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 31st March 2012 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 in March 2012 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 operational surplus of £105k, though directorate investment reserves transfers of £115k reduced this to a closing deficit of £10k,
- a net overall use of £152k from the Earmarked Reserves
- a net decrease in useable reserves of £973k.

10.2 Despite a successful outcome to 2011/2012 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 over £1m, as noted in the Annual Governance Statement: Year ended 31st March 2012.

Background Papers

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