

Cheltenham Borough Council
Audit Committee – 21st September 2011
Statement of Accounts 2010/11
Report of the Section 151 Officer

1.1 The issue

1.2 The purpose of this report is to seek Audit Committee's approval of the Council's Financial Statements for 2010/11.

1.3 I therefore recommend that Audit Committee:

1.3.1 Approve the Statement of Accounts for 2010/11 at Appendix 1, including the Annual Governance Statement for 2010/11.

1.3.2 Authorise the chair of the Audit Committee to sign the Statement of Accounts in order to formally signify the Council's approval of the accounts.

1.4 Summary of implications

1.4.1 Financial	This report sets out the Financial Statement of Accounts for 2010/11. Contact officer: Mark Sheldon E-mail: mark.sheldon@cheltenham.gov.uk Tel no: 01242 264123
1.4.2 Legal	This report adopts relevant guidance issued in the Accounts and Audit Regulations 2003 and 2011. Contact officer: Peter Lewis E-mail: Peter.Lewis@tewkesbury.gov.uk Tel no: 01684 272012

1.5 Implications on corporate and community plan priorities

1.5.1 None identified.

1.6 Statement on Risk

1.6.1 There are no risks arising from this report which need to be brought to the attention of members.

2. Introduction

- 2.1** The Accounts and Audit Regulations 2011 set out the legal requirements for the annual statement of accounts to be prepared by 30th June of each year. The Section 151 Officer must sign and date the draft statement of accounts and certify that they present a true and fair view of the financial position of the council, by 30th June of each year.
- 2.2** The Accounts and Audit Regulations 2011 set out the Government requirement for the audited annual statement of accounts to be considered and approved by way of Committee by 30th September of each year. The Section 151 Officer must re-certify the final statements of accounts prior to this meeting. Following approval by the Committee, the statement of accounts is to be signed and dated by the person presiding at the meeting.
- 2.3** There should be a period of public inspection of the accounts of 20 working days. Public notice should be given not later than 14 days before the commencement of the inspection period.
- 2.4** Full Council has delegated authority to the Audit Committee to review and approve the audited statement of accounts, at its meeting on 28th June 2010.
- 2.5** The Audit Committee review should specifically consider whether appropriate accounting policies have been followed, the conclusion of the audit of the statements, and whether there are any issues that need to be brought to the attention of the Council.

3. Background

- 3.1** In compliance with the above requirements, the audited Financial Statements include the following, attached at Appendix 1.
 - Explanatory Foreword
 - Statement of Responsibilities for the Statement of Accounts
 - Comprehensive Income and Expenditure Statement
 - Balance Sheet
 - Movement in Reserves Statement
 - Cash Flow Statement
 - Notes to the Accounts
 - Group Accounts and Notes
 - Housing Revenue Account and Notes
 - Collection Fund and Notes
 - Annual Governance Statement
 - Independent Auditor's Report.

3.2 The council has reviewed its accounting policies during the year and revised them in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 Accounts (the Code). This incorporates International Financial Reporting Standards (IFRS), so that the accounts are now compliant with these standards. This has resulted in some major changes to the presentation of the financial statements. The main presentational changes include:-

- The Income and Expenditure Account has been renamed the Comprehensive Income and Expenditure Statement as it now incorporates (at the bottom) the previous Statement of Recognised Gains and Losses (STRGL), so that it shows the total gains and losses incurred by the Authority in the year.
- Changes have been made to the service groupings (as recommended by the Service Reporting Code of Practice (SeRCOP) 2011/12) and the items below cost of services have been grouped together, supported by detailed notes.
- On the Balance Sheet, Fixed Assets (other than Investment Property and Intangible Assets) have been reclassified as Property, Plant and Equipment (PPE).
- Capital Grants Deferred have been transferred to the Capital Adjustment Account and Capital Grants Unapplied included as part of usable reserves. Reserves have been classified as either Usable (if they represent available resources) or Unusable (if they cannot be used).
- New categories for debtors and creditors, analysing payments in advance, provisions for bad debts and receipts in advance across the various categories.

3.3 The layout and content of the financial statement of accounts is in accordance with a national standard format which assists in making inter-authority comparisons. This presentation differs from that used in the Council's own management accounts and documents circulated to members.

3.4 Regulations require that the Council combine the accounts of the Gloucestershire Airport Limited, of which both Gloucester City Council and Cheltenham Borough Council have a 50% share and those of Cheltenham Borough Homes into Group Accounts. These therefore combine both assets and liabilities of Cheltenham Borough Council, Gloucestershire Airport Limited and Cheltenham Borough Homes.

3.5 The Financial Statements are signed by the Director of Resources in his capacity as Section 151 Officer.

4. Accounts and Audit Regulations 2011

4.1 In producing the statements for 2010/11, the Council has adopted the Accounts and Audit regulations 2011 guidance and timetable for the preparation and approval of the statement of accounts.

4.2 The Financial Services Division met the 30th June 2011 deadline for the preparation of the accounts, including the consolidation of the accounts for Gloucestershire Airport and Cheltenham Borough Homes.

4.3 The draft financial statements were signed as approved by the Section 151 Officer on

30th June 2011.

- 4.4 The inspection period operated from 12th July to 8th August 2011 and a public notice to that effect was placed in the Gloucestershire Echo on 15th June 2011.
- 4.5 The final, audited financial statements were signed as approved by the Section 151 Officer on 13th September 2011.

5. 2010/11 Audit

- 5.1 The council's external auditors, KPMG LLP, have conducted a full audit of the financial statements and have issued a 'Report to those charged with governance (ISA 260) for 2010/11' and have given an unqualified audit opinion.
- 5.2 The auditor must appoint a date on which local government electors for the area to which the accounts relate may exercise their rights under regulation 15 and 16 of the Audit commission Act 1998 to question the auditor about or make objections to the accounts. The date appointed by the auditor was 9th August 2011.

6. Annual Governance Statement

- 6.1 The council has a statutory duty to prepare an annual governance statement (AGS) to be approved as part of the annual statement of accounts. The annual governance statement indicates how the council is complying with the code of corporate governance including internal control arrangements. The Audit Committee need to satisfy themselves that the AGS fairly reflects the arrangements within the council and that the suggested action plan will address the significant governance issues identified by the review.
- 6.2 Each March, assurance statements and evidence tables are issued to Directors and Service Managers for completion. The evidence tables act as internal control checklists which confirm/review the existence and adequacy of governance and control arrangements, and any significant absence of, or weakness in, the control. The areas covered by the checklist are not exhaustive and any other significant weaknesses must be reported in the Certificate of Assurance. Assistant Directors have the responsibility for the completion of the Certificates, which are signed off by the Assistant Director and lead Cabinet member.
- 6.3 Once complete, the evidence tables and the Certificates are reviewed by the Directors, the Audit Partnership Manager and the Policy Officer (Governance) to identify need for governance or control improvement to be included in the action plan for the forthcoming year. They also draw on evidence from internal and external audit reports, and other evidence sources. The annual governance statement is considered by the board of directors and the Corporate Governance Group before it is submitted to this committee ahead of its consideration for approval as part of the Statement of Accounts.
- 6.4 The Audit Committee has had the opportunity to understand in more detail the review process and assure its members that the evidence has been considered in a robust manner.

7. Capital determinations for the financial year 2010/11.

- 7.1 Under provisions in the Local Government and Housing Act 1989, the Council must charge all expenditure to a revenue account unless it has the authority to treat it as capital expenditure. This authority can be obtained by financing such expenditure from capital grants, credit approvals or usable capital receipts.
- 7.2 As part of the preparation of the Statement of Accounts, Council officers make decisions in respect of the methods of financing capital expenditure incurred during the year. In accordance with recommended practice these decisions should be reported to Council in the form of capital determinations
- 7.3 The Council must state the total capital expenditure for 2010/11 it has financed from such sources and the level of minimum revenue provision as set out in the table below:

		£000's
7.3.1	Section 42(2) (g) - Capitalisation of expenditure which is reimbursed or met out of money provided by any other person	1,647
7.3.2	Section 56 (1) (a) - The use of credit approvals to authorise capitalisation of expenditure	-
7.3.3	Section 60 (2) (a) - Application of usable capital receipts to meet expenditure incurred for capital purposes	500
7.3.4	Section 63 (1) - Minimum Revenue Provision (MRP) set aside in the revenue accounts. *	645

* The Minimum revenue provision (MRP) is the prescribed amount that the Council must set aside from its revenue account for debt repayment each year.

8. Consultation

- 8.1 Director of Commissioning, Cabinet Member for Community Development and Finance.

Background Papers

Statement of Accounts 2010/11

External Audit Working paper files 2010/11

Code of Practice on Local Authority Accounting in the UK 2010/11 Accounts

Service Reporting Code of Practice 2011/12

Report to those charged with governance (ISA 260) for 2010/11

Accounts and Audit Regulations 2003

Accounts and Audit Regulations 2011

Report Author

Mark Sheldon, 01242 264123,
mark.sheldon@cheltenham.gov.uk

Accountability

Cabinet Member for Community Development
and Finance

Scrutiny Function

Audit Committee