

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Audit and Risk Committee      **DATE:** 24<sup>th</sup> September, 2012

**CONTACT OFFICER:** Jaki Salisbury, Interim Director of Finance and Property  
**(For all enquiries)** 01753 875300

**WARD(S):** All

**PORTFOLIO:** Finance and Strategy – Councillor Anderson

### **PART I** **FOR DECISION**

#### **2011-12 STATEMENT OF ACCOUNTS**

##### **1      Purpose of Report**

The objective of this report is to provide the Audit and Risk Committee with an overview of the 2011/12 Statement of Accounts.

##### **2.      Recommendation**

That the Committee is requested to recommend to full Council that the 2011/12 Statement of Accounts be approved and signed in line with good practice.

##### **3.      Supporting Information**

###### **Statement of Accounts**

- 3.1. The Accounts and Audit (England) Regulations 2011 set out the requirements for the accounts and audit of certain public bodies. One of the requirements is for the statement of accounts to be approved by a resolution of a Committee or full Council and for the Chair to sign the accounts. The latest date for approval is 30<sup>th</sup> September 2012.
- 3.2. The Audit and Risk Committee has delegated authority to review the accounts and to recommend approval to full Council. A draft copy of the statement of accounts is attached at Appendix A.
- 3.3. The format of the accounts is prescribed by the Code of Practice on Local Authority Accounting in the UK 2010/11 and the Service Reporting Code of Practice, supported by International Financial Reporting Standards and statutory guidance. The statement of accounts is a technical document and therefore not easy to understand; a brief description of the key financial statements is provided below.
- 3.4. It is anticipated that the external auditor will be issuing an unqualified opinion on the 2011/12 statement of accounts. In the event that any amendments are required to the draft set of accounts, these will be reported to the full Council meeting on 27<sup>th</sup> September.

## **Annual Governance Report**

- 3.5 Appendix 2 of the Annual Governance Report provides details of unadjusted errors; a brief explanation is provided below.
- 3.6 Revenue Expenditure Funded from Capital Under Statute (REFCUS)  
The external auditor identified that the transaction should have taken place in 2010/11 rather than 2011/12 and processed as a prior period adjustment. While there was no technical objection from officers, it was concluded that this would have required a large number of amendments to the account for no benefit to the Council. It was therefore agreed not to process this adjustment.
- 3.7 This relates to un-presented cheques over six months old. Officers are in the process of writing back all cheques over six months old on an ongoing basis. The amount of £266,000 was not considered material to require amendments to the accounts.
- 3.8 Appendix 3 of the Annual Governance Report provides details of corrected errors to the statement of accounts that was published on the Council's website at the end of June 2012. Brief explanations for the more significant corrections are provided below.
- 3.9 Restatement of 2010/11 Comparatives £17.5 million – this relates to a change in the requirements of the Service Reporting Code of Practice. Cultural and Related Services are now required to be reported as Environment and Regulatory Services and Planning Services.
- 3.10 Self-financing of HRA Properties – the abolition of the HRA Subsidy system resulted in the Council making a payment of £135 million to the Government. Under delegated authority, the former Strategic Director of Resources and Acting Head of Finance determined that £10 million would be funded from existing General Fund resources as an "internal" loan with the remaining £125 million being funded by PWLB borrowing. The initial accounting entries agreed with the external auditor were not correct and had to be reversed.

## **Key Financial Statements**

- 3.12 A brief description of the key financial statements is provided below. A copy of the Final Accounts will be circulated with the agenda papers.
- 3.13 Movement in Reserves Statement (MIRS)  
This statement shows the movement in the year on the different reserves held by the council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and "unusable reserves". The Council has usable reserves of over £90 million; over £82 million of reserves are identified for specific purposes.
- 3.14 Comprehensive Income and Revenue Statement (CIES)  
This statement shows the accounting cost of providing services rather than the amount to be funded from taxation (Council Tax, Business Rates and Government Grant.) For 2011/12, the CIES shows a deficit of £164.2 million; however, the actual outturn, as reported to Cabinet in June, was a surplus (underspend) of £3.4 million. The deficit of £164.2 million includes a number of accounting entries such as the funding of the HRA Self Financing (£135 million) and depreciation (£19 million) which are reversed out of the accounts for the purpose of setting council tax.

### 3.15 Balance Sheet

This statement shows the value of assets and liabilities recognised by the Council at 31st March 2012. The net assets (assets less liabilities) are matched by the reserves held by the Council. The net assets have fallen from £476 million at March 2011 to £302 million at March 2012; this is mainly due to the increased borrowing of £125 million required for HRA Self Financing.

### 3.16 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during 2011/12. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The most significant changes relate to the £135 million payment for HRA Self Financing and the borrowing of £125 million to finance the payment. This is a complex statement which is difficult to reconcile; there is a difference of £0.857 million which has not been identified. However, it is important to note that the difference does not represent cash and that all the Council's assets are accounted for.

## 4. **Conclusion**

The audit of the 2011/12 accounts is complete and it is anticipated that the external auditor will issue an unqualified opinion. The accounts will need to be approved and signed off at the full Council meeting on 27th September.

## 7 **Appendices Attached**

Appendix A - Draft copy of the statement of accounts

## 8. **Background Papers**

None.