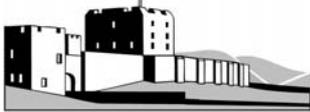


CARLISLE
CITY COUNCIL



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AUDIT COMMITTEE

Committee Report

Public

Date of Meeting: 5 July 2011

Title: STATEMENT OF ACCOUNTS 2010/11

Report of: Assistant Director (Resources)

Report reference: RD 21/11

Summary:

The Council's Statement of Accounts 2010/11 (subject to Audit) will be circulated after they are certified by the S.151 Officer in accordance with Statutory requirements by 30 June 2011. They will now be subject to audit, which must be concluded by the statutory deadline of 30 September 2011. Key issues included within the 2010/11 Statements are highlighted within the report for Members attention.

Recommendations:

- (i) The Committee is asked to note the 2010/11 Statement of Accounts and that they will now be subject to audit.
- (ii) That the Annual Governance Statement be considered and approved separately from the Statement of Accounts as specified in the Accounts and Audit Regulations 2011.

Contact Officer: Steven Tickner

Ext: 7280

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

CITY OF CARLISLE

To: The Audit Committee
5 July 2011

RD 21/11

STATEMENT OF ACCOUNTS 2010/11

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 The Accounts and Audit Regulations 2011 require that the City Council's Statement of Accounts for 2010/11 be certified by the Council's S.151 Officer by 30 June 2011.
- 1.2 The Statements reflect the summarised financial out-turn information which was recently considered by the Executive and Resources Overview and Scrutiny Panel. To a large extent the format of the Statement of Accounts is prescribed and is therefore presented in a different format from the internal out-turn reports.
- 1.3 The Statements presented are subject to the formal audit process, which will commence on 1 July, and must be completed by 30 September. The auditors will identify any material changes required to the Statements and they will also produce an ISA+260 Statement (Annual Governance Report) which details any unadjusted misstatements found during the course of the audit. Both of these need to be considered by 'those charged with governance', which in respect of the Statements, is the full Council.
- 1.4 Internal Audit carries out annual audits of the authority's business critical systems. This provides the assurances that the information used to prepare the Statement of Accounts is accurate and relevant.

2. OUT-TURN REPORTS

The Revenue and Capital Provisional Out-turn reports have recently been considered by the Executive and Resources Overview and Scrutiny Panel.

As mentioned above, the Statement of Accounts are based upon these final out-turn figures. However, because of the different way in which the Accounts must be produced, it is very difficult to see the out-turn figures within the Income and Expenditure Account. A reconciliation between the out-turn figures and the net operating expenditure on the Income and Expenditure Account has been prepared and is attached at **Appendix 1** for information.

3. CHANGES ARISING FROM THE 2010 CODE OF PRACTICE

- 3.1 At the Audit Committee meetings of the 14 January 2010 and 9 April 2010 the Assistant Director (Resources) reported that changes would be required to the format of the 2010/11 Statement of Accounts. Reference was made to the 2010 Code of Practice (The Code) which introduced the requirement to prepare the Statements on an International Financial Reporting Standards (IFRS) basis.
- 3.2 The main changes are set out below. These changes will impact primarily on the layout of the balance sheet with corresponding entries required to the Income and Expenditure Account where necessary.

4. KEY ISSUES

- 4.1 As part of the Council's training programme, a training session was programmed for 8 June to Members, and substitutes, of the Audit Committee on the Role of the Audit Committee and scrutiny of the Statement of Accounts process. Key issues and the practical implications for scrutinising the Statement of Accounts were provided, i.e. what the main statements show, and the kinds of questions Members may wish to consider.
- 4.2 The Annual Governance Statement forms part of the Annual Statement of Accounts as presented at **Appendix 2**. It is a requirement of the 2010 Code that the Annual Governance Statement be considered and approved separately.
- 4.3 **Significant issues**
Key issues within the Statement of Accounts to which Members attention is drawn are as follows:

4.3.1 Comprehensive Income & Expenditure Statement

These statements summarise the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day to day expenses and related income on an accruals basis. The main items of note are as follows:

Cost of Services – a decrease of £8.710m over the previous year. The majority can be explained as a result of Pension Fund Past service gains being credited against Non Distributed Costs (£7.698m); other decreases in expenditure as a result of Transformation programme savings reducing budgets explain the other reductions.

4.3.2 Balance Sheet

The balance sheet records all of the Council's assets and liabilities as at 31 March 2011. Overall, the Council's Net Worth on its Balance Sheet has increased from £112million in 2009/10 (restated for IFRS) to £126million in 2010/11. However, this can be explained by the movement (£14.1m) on the Pension Fund valuation which is a notional entry and is held both as a liability and a reserve.

Although free revenue reserves have decreased, this was not as much as expected due to an under spend on the outturn position of £2,004,000. However, carry forward requests into 2011/12 total £1,877,900 so only £126,100 added back into reserves. Plans have been put in place as part of the Transformation process to replenish the Council's reserves back to the prudent level of £3.8million through making savings over the next 5 years.

Long Term Assets – these are assets owned by the authority which are used either in direct service provision or held for investment purposes. The value as at 31 March 2011 is £159m (March 2010 £153m). Other long-term investments and long term debtors relate to investments with a maturity date in excess of 12 months from the balance sheet date and debt outstanding on mortgages provided to third parties for the purchase of Council and private dwellings.

Current Assets – the main items included within this heading are debtors i.e. money owed to the Council as at 31 March 2011 and short-term investments. Investments have decreased by £3m over the year and the Council currently has £18.1m invested in a variety of banks and building societies. Debtors have decreased by £2.244m to £5.730m in the past year. This is due to a decrease in the amounts owed in connection with capital projects funding still outstanding at the end of the year.

Current liabilities – this is the amount of money owed by the Council to its suppliers and contractors which totalled £7.6m as at 31 March 2011 (£5.8 as at 31 March 2010). The increase is due to amounts owed on Benefits Rent Allowances at 31 March that were paid at the start of April.

Long term liabilities – this section is made up of several different items. Long term borrowing and the value of the pension liability makes up approximately 97% of the total. Long term borrowing (£15m) remains fairly static over the year as the Council has no need to undertake any prudential borrowing due to the level of capital receipts generated. The Pension Liability amounts to £30.005m as at March 2011

(£44.182m March 2010). This is the value placed on the Council liability by the Pension Fund Actuary and is offset in the balance sheet by a corresponding credit on the Pension Reserve.

Financed by – the total of all the items within this section is the value of the net worth of the Council. It shows the reserves and balances held as at 31 March 2011.

5. CONSULTATION

5.1 Consultation to Date.

None

5.2 Consultation proposed.

Notice will be given in the local press for any interested person to inspect, and make copies of the accounts of the Council for the year ended 31 March 2011 and certain documents (comprising books, deeds, contracts, bills, vouchers and receipts) between 4 July and 31 July 2011. Interested persons will also be able to question the Auditor about the accounts and make objections to the same with effect from 1 August 2011 (s15 date) until the completion of the audit.

The Statement of Accounts (subject to audit) will be published on the Council's website following approval by Council.

6. RECOMMENDATIONS

- (i) The Committee is asked to note the 2010/11 Statement of Accounts and that they will now be subject to audit.
- (ii) That the Annual Governance Statement be considered and approved separately from the Statement of Accounts as specified in the Accounts and Audit Regulations 2011.

PETER MASON
Assistant Director (Resources)

Contact Officer: Steven Tickner

Ext: 7280

APPENDIX 1

Item	£	£
Provisional Out-turn		19,326,703
Capital Receipts generated on the disposal of assets		(240,761)
Net book value of disposals written out of balance sheet		152,178
Parish Precepts		434,710
Actuary Reports on Pension Costs (FRS17)		
- Expected return on pension assets	(5,561,000)	
- Interest Costs	7,541,000	1,980,000
Net changes re FRS17 current and past service costs		(7,803,418)
Depreciation and Impairment Charges		3,570,231
Change in Fair Value of Investment Properties		(2,513,519)
Capital Expenditure on revenue expenditure funded from capital under statute (assets not owned by the Council) chargeable to the I&E account less grants and contributions received towards these costs		709,027
Minimum Revenue Provision		(184,000)
Direct Revenue Financing		(115,735)
Movement on Employee Benefit Reserve		(2,334)
Capital Government Grants and Contributions, credited to the I&E account		(3,867,040)
Transfers to earmarked reserves shown elsewhere		
- Lanes Capital Fund	(14,900)	
- Job Evaluation Reserve	(130,500)	(145,400)
LABGI, Area Based Grant & Housing Planning Delivery Grant (shown as a funding source)		128,520
Financing from RSG/Council Tax/NNDR		(17,650,793)
Roundings		
Surplus/Deficit on Provision of Services on the CIES		(6,221,631)