

AUDIT COMMITTEE - 7 JULY 2011

STATEMENT OF ACCOUNTS 2010/11

Report by the Assistant Chief Executive and Chief Finance Officer

1. The Accounts and Audit Regulations have been revised this year and include changes to the approval process for the Statement of Accounts. The 2011 Regulations require the Assistant Chief Executive and Chief Finance Officer to sign the Statement of Accounts no later than 30 June, and certify that they give a true and fair view of the County Council's position. The regulations require that the Audit Committee considers and approves the accounts no later than 30 September, allowing members to make a better informed decision when the findings of the audit are available. This report presents the accounts certified by the Chief Finance Officer to the Audit Committee for information, before the start of the public inspection period and the commencement of the audit.
2. The 2010/11 Statement of Accounts is attached at Annex 1. An overview of the financial position of the Council at 31 March 2011 is contained in the explanatory foreword.
3. **Changes to the Statement of Accounts**

The 2010/11 Statement of Accounts is the first set of accounts to be prepared under International Financial Reporting Standards (IFRS) and has been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. There are changes to both the presentation of the accounts and the accounting policies on which they are based, which are outlined in the two following sections.
4. **Presentation of financial statements**

The IFRS-based Code defines the four key financial statements as the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement. An explanation of the purpose of each of these statements is provided in the foreword to the accounts. The order of the financial statements is recommended in the Code, with the Movement in Reserves Statement presented first as it shows the resources available to the County Council at the year end. The financial statements are more summarised than in previous years, with a breakdown of items provided in the disclosure notes. In addition, there are further narrative disclosures to support the basis on which the accounts have been compiled. Some notes presented in previous years have been removed as they are not required by the Code, to minimize the length of the accounts and keep them as user friendly as possible.

5. **Changes in accounting policy**

The main areas of difference between accounting policy under the IFRS-based Code and the previous code based on UK Generally Accepted Accounting Practice (UK GAAP) are set out below:

- Employee benefits: The IFRS-based Code places a requirement on the Council to accrue for any untaken annual leave, flexi leave or time off in lieu at the end of the financial year, which applies to all staff, including teaching staff. Legislation is in place to mitigate the impact of this accrual on the Council Tax.
- Fixed (non-current) assets: There are tighter definitions for investment properties and non-current assets held for sale. The accounting treatment of impairments and revaluation gains/losses is different under the Code. Significant components are required to be depreciated separately (with effect from 1 April 2010).
- Leases: IFRS gives slightly different definitions of operating and finance leases. It also requires that leases of property are separated into land and buildings for accounting purposes. Where contracts contain a lease-type arrangement this element of the contract is accounted for as a lease.
- Grants (and contributions): Both revenue and capital grants are recognised immediately in the Comprehensive Income and Expenditure Statement if there are no conditions attached to the grant or none remain outstanding. This is a significant change in relation to capital grants, which were previously released to revenue over the life of the asset to match depreciation. Revenue grants may be recognised as income in an earlier year than under the UK GAAP-based Code.

The new accounting policies are set out in the Summary of Significant Accounting Policies at Note 1 to the accounts. The accounting policy changes arising out of the adoption of the IFRS-based Code have been accounted for retrospectively (as if we had always been accounting on an IFRS basis), except where there are specific transitional provisions. As a result of the retrospective application, various balances and transactions relating to previous years have been restated in the financial statements. Full details of the restatements made are provided in Note 4 to the accounts.

6. **Change to the basis for up-rating pensions**

The basis for up-rating pensions has changed from the Retail Price Index (RPI) to the Consumer Price Index (CPI) with effect from 1 April 2011. This has the effect of reducing the pension liability by £119.554m and has been treated as a past service gain in the Comprehensive Income and Expenditure Statement (CIES). This large credit has been shown separately on the face of the CIES to aid the understanding of the County Council's performance as measured by the Surplus/Deficit on the Provision of Services.

7. **Summary Accounts**

The Summary Accounts (Annex 2) provide a much simplified presentation of the financial position of the County Council. These will be made available to members of the public on the County Council's website alongside the Statement of Accounts.

8. Any questions of detail that members of the Committee may have regarding the accounts can be raised with Stephanie Skivington, Strategic Finance Manager (Financial Accounting & Reporting) (Tel. 01865 797443).

RECOMMENDATION

9. **The Committee is RECOMMENDED to:**

- a) **note the Statement of Accounts for 2010/11 to be submitted to the auditor; and**
- b) **note the Summary Accounts 2010/11.**

SUE SCANE
Assistant Chief Executive and Chief Finance Officer

Background Papers: Nil

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