

REPORT TO: Business Efficiency Board

DATE: 26th September 2012

REPORTING OFFICER: Operational Director, Finance

PORTFOLIO: Resources

SUBJECT: 2011/12 Abstract of Accounts, Annual Governance Report, and Letter of Representation

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to seek approval for the Council's 2011/12 Abstract of Accounts (a copy of which is enclosed with the Agenda), to consider the report of the Audit Commission on the 2011/12 financial statements (The Annual Governance Report) and to approve the Council's Letter of Representation.

2.0 RECOMMENDED that;

- (i) The Letter of Representation in Appendix 1 be approved;**
- (ii) The Audit Commission's 2011/12 Annual Governance Report in Appendix 2 be received;**
- (iii) The Council's 2011/12 Abstract of Accounts be approved.**

3.0 BACKGROUND

3.1 The Abstract of Accounts (The Abstract) sets out the Council's financial performance for the year in terms of revenue and capital spending and presents the year-end financial position as reflected in the balance sheet.

3.2 The format of the Abstract is heavily prescribed by the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting (The Code), which makes it a very technical document and not particularly easy to understand. Therefore the key elements are outlined below.

3.3 The Abstract for 2011/12 has for the second year been prepared in full compliance with International Financial Reporting Standards (IFRS) and as a result there have been relatively few changes in the format from last year.

- 3.4 The draft 2011/12 Abstract was passed to the Audit Commission on 29th June 2012, since when they have undertaken their audit. The District Auditor will attend the meeting to present the report of their findings, the Annual Governance report, which includes their work in respect of the Council's arrangements for securing value for money, as shown in Appendix 1.
- 3.5 Each year the Council is required to provide the Audit Commission with a Letter of Representation relating to the financial statements, as shown in Appendix 2. This provides a number of assurances to the Audit Commission in connection with the preparation of the Council's accounts. The Letter is required to be signed by the Chairman of the Board on behalf of the Council.

4.0 KEY SECTIONS WITHIN THE ABSTRACT

- 4.1 The **Foreword** by the Operational Director, Finance summarises the Council's financial performance for 2011/12, including revenue and capital spending.
- 4.2 In overall net terms the Council has underspent its 2011/12 revenue budget by £198,000. The overall outturn report was presented to Executive Board on 28th June 2011 and departmental outturn reports are available on the Council's Intranet. As a result the Council's General Fund Balance will increase by £198,000 to £7,565,000.
- 4.3 Capital expenditure was £53.7m compared with planned expenditure of £61.6m. This represents 87% delivery of the capital programme for which 20% slippage was anticipated throughout the year. The main areas of slippage were in respect of Castlefields Regeneration, Wade Deacon High School, Windmill Hill Primary School (basic need), Lunts Heath Primary School (basic need) and St Bede's Infant and Junior Schools (basic need).
- 4.4 School balances have increased by £1.8m to £9.8m, of which £7.0m relates to individual school balances and £2.8m relates to devolved capital funding. In addition, £3.4m of unspent schools related funding is held centrally and will carry forward into 2012/13.
- 4.5 The **Comprehensive Income and Expenditure Account** presents gross expenditure, gross income and net expenditure for 2011/12 along with the previous year's comparison. These are shown for each of the service groupings prescribed in The Code. These service groupings do not necessarily relate directly to the Council's organisational structure, but are intended to provide consistency across all local authorities. The Net Cost of Services is adjusted by a number of appropriations to give Total Comprehensive Income and Expenditure.
- 4.6 The Council's **Balance Sheet** sets out the Council's financial position as at 31st March 2012, along with the previous year's comparison.

- 4.7 The **Movement in Reserves Statement** presents a summary of the changes in the Council's main reserves during the year.
- 4.8 The **Cashflow Statement** provides an overall analysis of the movements in cash and cash equivalents during the year.
- 4.9 Detailed notes relating to items within the Comprehensive Income and Expenditure Account, Balance Sheet, Movement in Reserves Statement and Cashflow Statement are shown under **Notes to the Core Financial Statements**.
- 4.10 The **Collection Fund** and associated notes summarise the transactions in respect of the collection of Non-Domestic Rates and Council Tax, along with the distribution to the Council's own General Fund and to the Precepting Authorities (Fire, Police and Parishes).
- 4.11 The **Group Accounts** and associated notes present the consolidation of the Council's accounts with those of Halton Transport Limited.
- 4.12 The **Statement of Responsibilities** outlines the basis upon which the Abstract has been prepared and is followed by a statement of the Council's **Accounting Policies**. There have been relatively few changes to the Council's accounting policies this year, the main one being accounting for heritage assets
- 4.13 The Audit Commission use the draft Abstract as the basis for undertaking the annual audit of accounts, for which their **Audit Report and Certificate** is included within the Abstract.
- 4.14 The final section presented within the Abstract is a **Glossary of Terms**.

5.0 NEXT STEPS

- 5.1 Following the meeting, the Letter of Representation will be signed and the Audit Commission will provide their audit opinion. The Abstract of Accounts will then be published along with a brief Summary, with copies being made available to the public via the Council's website.

6.0 POLICY IMPLICATIONS

- 6.1 None.

7.0 OTHER IMPLICATIONS

- 7.1 None.

8.0 RISK ANALYSIS

8.1 The Accounts and Audit Regulations require that the Abstract is certified by the Audit Commission and published by 30th September 2012.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Accounts and Audit Regulations 2011	Municipal Building Kingsway Widnes	Ed Dawson Operational Director, Finance
Code of Practice on Local Authority Accounting in the UK 2011/12	Municipal Building Kingsway Widnes	Ed Dawson Operational Director, Finance

APPENDIX 1

Mr M Thomas
District Auditor
Audit Commission Office
3rd Floor, Millennium House
60 Victoria Street
Liverpool L1 6LD

Dear Mike

Halton Borough Council - Audit for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other Directors and Officers of Halton Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council. The reasons for not correcting these items are, the amounts although significant are not material in terms of total spending, and are considered to reflect the prudent approach taken by the Council to managing its finances given the exceptional financial environment we are currently experiencing.

Supporting records

I have made available all relevant information and access to persons within the Council for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Council.

Internal control

I have communicated to you all deficiencies in internal control of which I am aware

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of the Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Halton Borough Council:

I confirm that this letter has been discussed and agreed by the Business Efficiency Board on 26 September 2012.

Signed

Name Councillor Martha Lloyd Jones

Position Vice Chairman

Date 26th September 2012

Schedule of Uncorrected Misstatements

Collection Fund Provision for Doubtful Debts (Council Tax)

The provision for council tax bad debts of £3.420m includes £0.527m related to the impact of a potential fall in future recovery rates. Accounting standards do not allow expected losses arising from future events to be provided for no matter how likely.

Whilst significant this amount is not material to total spending. Therefore given the current economic climate and the potential impact upon collection rates of the forthcoming welfare reforms and changes to council tax support, this is considered to be a prudent approach to managing the Council's finances.

Balance Sheet Debtors

The provision for impairment of debtors of £7.623m includes £0.850m as a "cushion" for the potential future effects of a fall in recovery rates. As above, expected losses arising from future events cannot be provided for no matter how likely.

Whilst significant this amount is not material to total spending. Therefore given the current economic climate this is considered to be a prudent approach to managing the Council's finances.

Balance Sheet Creditors

The 2011/12 closing balance includes a land deposits creditor of £0.099m. This creditor balance has not decreased in value for a number of years. It is unlikely that the Council will be liable to pay this amount in the future.

The deposit is being held as a liability in case of a repayment condition whilst the Council's Legal Services obtain further information with regard to the potential liability. This amount is not material to total spending and therefore the Council will determine whether these monies can be released to capital receipts during 2012/13.

Mersey Gateway Development Costs

Mersey Gateway development costs totalling £0.513m have been incorrectly categorised as capital rather than revenue expenditure.

Whilst significant this amount is not material to total spending.