

REPORT TO: Business Efficiency Board

DATE: 28th September 2011

REPORTING OFFICER: Operational Director - Finance

SUBJECT: 2010/11 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 2010/11 Abstract of Accounts (a copy of which is enclosed with the Agenda), to consider the report of the Audit Commission on the 2010/11 financial statements (The Annual Governance Report) and to approve the Council's Letter of Representation.

2.0 RECOMMENDED that;

- (i) The Audit Commission's 2010/11 Annual Governance Report in Appendix 1 be received;**
- (ii) The 2010/11 Abstract of Accounts be approved;**
- (iii) The Letter of Representation in Appendix 2 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 2010/11 has for the first time been prepared in full compliance with International Financial Reporting Standards (IFRS), following the two year transition period. As a result there have been significant changes to the financial statements and notes to the accounts, presented within the Abstract. In addition, the adoption of IFRS has meant that some amounts presented in the Abstract relating to 2009/10 differ from the equivalent figures shown in the 2009/10 Abstract.

- 3.4 The draft 2010/11 Abstract was passed to the Audit Commission on 1st July 2011, 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 2010/11, including revenue and capital spending.
- 4.2 In overall net terms the Council has underspent its 2010/11 revenue budget by £120,000. The overall outturn report was presented to Executive Board Sub-Committee on 15th July 2011 and departmental outturn reports are available on the Council's Intranet. In addition, the Council received an additional £72,000 of Government grant income. The net result is that General Fund Balances will increase by £192,000 to £7,367,000.
- 4.3 Capital expenditure was £43.3m compared with the revised programme of £50.6m. This represents 85% delivery of the revised programme for which 20% slippage was anticipated throughout the year, with the only significant slippage being in respect of Landfill Tax Credits, Castlefields Regeneration and Widnes Waterfront.
- 4.4 School balances have increased by £0.4m to £8.0m, of which £3.2m relates to individual school balances and £4.8m relates to various unspent Standards Fund grants. The latter were subsequently spent by 31st August 2011 as required under the grant conditions.
- 4.5 The **Transition to IFRS** section explains the differences between the 2009/10 figures presented in the 2010/11 Abstract and those shown in the 2009/10 Abstract, due to the adoption of IFRS.
- 4.6 The **Comprehensive Income and Expenditure Account** presents gross expenditure, gross income and net expenditure for 2010/11 along with the previous year's comparison (as restated under IFRS). 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.

- 4.7 The Council's **Balance Sheet** sets out the Council's financial position as at 31st March 2011, along with the previous year's comparison (as restated under IFRS).
- 4.8 The **Movement in Reserves Statement** presents a summary of the changes in the Council's main reserves during the year.
- 4.9 The **Cashflow Statement** provides an overall analysis of the movements in cash and cash equivalents during the year.
- 4.10 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**.
- 4.11 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 General Fund and the precepting authorities.
- 4.12 The **Group Accounts** and associated notes present the consolidation of the Council's accounts with those of Halton Transport Limited.
- 4.13 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**.
- 4.14 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 shown.
- 4.15 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, with copies being made available to the public via Halton Direct Link, Libraries and 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 2011.

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	Financial Management Division, Kingsway House, Widnes	Ed Dawson Divisional Manager Financial Management
Code of Practice on Local Authority Accounting in the UK 2010/11	Financial Management Division, Kingsway House, Widnes	Ed Dawson Divisional Manager Financial Management