

Subject:	Statement of Accounts 2010/11		
Date of Meeting:	28 June 2011		
Report of:	Director of Finance		
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Wards Affected:	All		

FOR GENERAL RELEASE

The Chairman of the meeting has been consulted and is of the opinion that this item should be considered at the meeting as a matter of urgency.

The special circumstances for non-compliance with Council Procedure Rule 23, Access to Information Rule 5 and Section 100B(4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) are that the very challenging statutory deadlines for the completion of unaudited local authority accounts meant that the necessary financial information and analysis required to complete the financial statements was not finalised in time to comply.

1 SUMMARY AND POLICY CONTEXT

- 1.1 Under the Accounts and Audit Regulations 2003, the council's Statement of Accounts for previous years were required to be approved by Members by the 30 June. The revised regulations, which came into force on 31 March 2011, amended the accounts approval process, whereby from the 2010/11 financial year onward, the Statement of Accounts are now to be approved by the Chief Finance Officer by 30 June and following the audit process are to be approved by Members by 30 September each year. Under Brighton & Hove City Council's constitution, the Audit Committee is charged with this responsibility.
- 1.2 Accordingly, this report presents the Statement of Accounts for 2010/11 for information purposes only. Copies of the Statement of Accounts are distributed to each member of the Audit Committee. At this stage, the accounts have not been audited by the District Auditor. It is expected that the District Auditor will present an Annual Governance Report to the September meeting of this committee on the conclusion of the audit of the 2010/11 financial statements. An officer report will be presented to that meeting, to enable Members to consider and approve the statement of accounts

2 RECOMMENDATIONS:

- 2.1 That the Audit Committee note the Statement of Accounts for 2010/11 and note that these are subject to audit.

3 RELEVANT BACKGROUND INFORMATION

- 3.1 The main legislative requirements relating to the preparation, publication and audit of the council's accounts are contained in the Audit Commission Act 1998 and the Accounts and Audit Regulations 2011 made under Section 27 of the 1998 Act.
- 3.2 It is a requirement that the annual accounts should be prepared as soon as practicable after the end of the financial year and approved by the Chief Finance Officer by 30 June and considered by a committee or Full Council, and approved by a resolution of that committee or meeting by 30 September. The accounts must be published and signed off by the external auditor as soon as reasonably possible after conclusion of the audit and by 30 September.

4 FORMAT OF THE ACCOUNTS

- 4.1 With effect from the 2010/11 financial year, the authority is required to present its financial statements on an International Financial Reporting Standards (IFRS) basis and adopt the IFRS based Code of Practice on Local Authority Accounting (the Code); the authority previously presented its financial statements on a UK Generally Accepted Accounting Practice (UK GAAP) basis and adopted the Code of Practice on Local Authority Accounting in the United Kingdom, a Statement of Recommended Practice (SORP). The move to IFRS was as a result of the, then, chancellor announcing in the 2007 budget that the UK public sector would adopt IFRS as this was seen as best practice and allowed for international comparisons to be made.
- 4.2 In accordance with the accounts and audit regulations, the Statement of Accounts includes an explanatory foreword, a statement of responsibilities together with the core financial statements, supplementary statements and the notes to the accounts.
- 4.3 The statement would normally comprise both "Single Entity Accounts", which are in respect of wholly council controlled activities, and "Group Accounts" in respect of activities where the council has a significant interest or share in a subsidiary, associate or joint venture entity. However, there are no other activities requiring the preparation of Group Accounts in 2010/11.
- 4.4 The new format of the financial statements shows less detail on the face of the statements and more analysis in the notes to the financial statements. In

addition the authority's accounting policies are now included as a note to the financial statements.

4.5 The Single Entity core financial statements included within the Statement of Accounts comprise the following:-

- Movements in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Financial Statements

4.6 The supplementary statements comprise the following:-

- Housing Revenue Account
- Collection Fund Account

5 KEY CHANGES TO FINANCIAL STATEMENTS FOLLOWING THE TRANSITION TO IFRS

5.1 The new Movement in Reserves Statement (MiRS) shows the movement in the year on the different reserves held by the authority. This statement provides information on the surplus / deficit the authority has made.

The following extract shows the elements of the Movement in Reserves Statement for the general fund and HRA working balances, other columns in this statement includes other usable reserves such as earmarked reserves.

Movement in Reserves during 2010/11	General	Housing
	Fund Balance	Revenue Account
	£'000	£'000
Balance at 31 March 2010	(9,205)	(3,623)
(Surplus) / Deficit on the Provision of Services	(74,320)	203,781
Other Comprehensive Income and Expenditure	0	0
Total Comprehensive Income and Expenditure	(74,320)	203,781
Adjustments between Accounting Basis and Funding Basis under Regulations	68,705	(205,782)
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(5,615)	(2,001)
Transfers (to) / from Earmarked Reserves	(1,317)	924
(Increase) / Decrease in Year	(6,932)	(1,077)
Balance at 31 March 2011	(16,137)	(4,700)

← General Fund and HRA share of the authority's surplus / deficit before statutory adjustments.

← The statutory adjustments for amounts not charged for council tax and dwelling rent setting purposes (for example depreciation)

← The actual General Fund and HRA share of the surplus / deficit before amounts transferred to / from earmarked reserves.

← The amounts transferred to / from earmarked reserves.

← The change in the General Fund and HRA working balances.

5.2 The new Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with accounting practices, rather than the amount to be funded from taxation. This statement is an amalgamation of the old Income & Expenditure account and the statement of total recognised gains and losses. The following extract shows the elements of the Comprehensive Income and Expenditure Statement;

	Year Ended 31 March 2011		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Cost of Services	959,335	(545,143)	414,192
Other Operating Expenditure	4,555	(2,520)	2,035
Financing and Investment Income and Expenditure	26,366	(8,163)	18,203
Taxation and Non-Specific Grant Income	0	(304,969)	(304,969)
(Surplus) / Deficit on the Provision of Services	990,256	(860,795)	129,461
Surplus on Revaluation of Property, Plant and Equipment Assets			(97,638)
(Surplus) / Deficit on Revaluation of Available for Sale Financial Assets			(13)
Actuarial (Gains) / Losses on Pension Assets and Liabilities			(172,707)
Other Comprehensive Income and Expenditure			0
Other Comprehensive Income and Expenditure			(270,358)
Total Comprehensive Income and Expenditure			(140,897)

← The service related income and expenditure for the General Fund and HRA

← This includes corporate costs such as gain or loss on sale of assets and, payments to precepting authorities.

← This includes corporate income and expenditure relating to interest, pension costs and investment properties.

← This relates to income received for council tax, NNDR, non ring fenced revenue grants and capital grants.

← General Fund and HRA share of the authority's surplus / deficit before statutory adjustments. (see MiRS extract). This line would have been the equivalent to the surplus / deficit on the old Income and Expenditure Account.

} These lines relate to the net gains / losses recognised for assets and pensions (these would have formed the old Statement of total recognised gains and losses recognised under UKGAAP)

5.3 The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. The following extract shows the elements of the Balance Sheet.

	As at 31 March 2011 £'000	
Long Term Assets	1,844,792	← Long Term Assets includes Fixed Assets owned and held under Finance leases.
Current Assets	114,980	← Current Assets are short term assets such as investments, debtors, cash, inventories and fixed assets to be sold within the next 12 months.
Current Liabilities	(88,059)	← Current Liabilities are short term liabilities such as borrowing, creditors, bank overdraft and provisions payable within 12 months.
Long Term Liabilities	(327,794)	← Long Term Liabilities include borrowing and provisions payable after 12 months, pension liability and Capital grants received in advance of expenditure being incurred.
Net Assets	1,543,919	← Net Assets are matched by the total reserves held.
Usable Reserves	(93,789)	← Usable reserves are those reserves used to provide services. This includes working balances and earmarked reserves.
Unusable Reserves	(1,450,130)	← Unusable reserves are those reserves which cannot be used to provide services. These reserves hold accounting timing differences.
Total Reserves	(1,543,919)	

5.4 The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the financial year. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The inclusion of cash equivalents is a new requirement. The following extract shows the elements of the Cash Flow Statement.

	2010/11 £'000	
Net surplus / (deficit) on the provision of services	(129,461)	← This figure is from the Comprehensive Income & Expenditure Statement (CI&E)
Adjustment to surplus / (deficit) on the provision of services for non cash movements	222,736	← Non cash transactions included in the CI&E (i.e. depreciation.)
Adjustment for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities	(60,443)	← Cash transactions which are not operating activities.
Net Cash Flows from Operating Activities	32,832	← Cash transactions that are not investing or financing activities
Net cash flows from investing activities	(9,891)	← Cash transactions relating to the acquisition and disposal of long term assets and other investments not included in cash equivalents.
Net cash flows from financing activities	(17,223)	← Cash transactions that result in changes in the size and composition of the principal received from or repaid to external providers of finance.
Net Increase in Cash and Cash Equivalents	5,717	
Cash and Cash Equivalents as at 1 April	13,576	
Cash and Cash Equivalents as at 31 March	19,293	

6 TARGETED BUDGET MANAGEMENT (TBM)

- 6.1 During 2010/11, Cabinet received regular Targeted Budget Management (TBM) reports in respect of the council's expenditure against the Budget. A revenue outturn report was taken to Cabinet on 9 June 2011 showing a provisional underspend for the General Fund of £2.560 million. There was no change in the final outturn position. This underspend has been transferred to the General Fund Working Balance. The revenue outturn report of 9 June 2011 contains full details.
- 6.2 The level of General Fund working balance and general reserves held at 31 March 2011 was £15.147 million as shown in the Movement in Reserves Statement. The revenue summary section of the explanatory foreword to the Statement of Accounts provides information on the underspend and level of reserves held.

7 EVALUATION OF ALTERNATIVE OPTIONS

- 7.1 The purpose of this report is to note the Statement of Accounts for 2010/11.

8 REASONS FOR REPORT RECOMMENDATIONS

- 8.1 The purpose of this report is to note the Statement of Accounts for 2010/11.

9 CONSULTATION

- 9.1 The purpose of this report is to present the council's Statement of Accounts for 2010/11. There has been no external consultation. Residents of Brighton & Hove are able to inspect the accounts during the period 27 June 2011 to 22 July 2011.

10 FINANCIAL & OTHER IMPLICATIONS

Financial Implications

- 10.1 There are no financial implications.

Finance Officer Consulted: Jane Strudwick Date: 20 June 2011

Legal Implications:

- 10.2 The relevant statutory requirements relating to the Statement of Accounts are summarised in the report, in particular at paragraphs 1.1 and 3.1.

The report is for noting only. As indicated, the Committee has until 30 September in which to approve the statement of accounts, and officers will prepare a separate report on that process for consideration by the Committee in time to comply with the statutory deadline.

Lawyer consulted: Oliver Dixon

Date: 22 June 2011

Equalities Implications:

- 10.3 There are no equalities implications arising directly from this report. The Statement of Accounts is a statutory publication and is available for the public inspection at the council's main offices and on the council's website. Information on the accounts will, as far as possible, be provided in a manner that meets the needs of those requesting information.

- 10.4 Summary accounts will also be published.

Sustainability Implications:

- 10.5 There are no direct environmental implications arising from this report. However, it is believed that the reputation of the council's framework and its ability to demonstrate sound financial management could have an impact on the willingness of other funding partners to invest in and with the council. This could affect the level of inward investment in respect of projects that contribute towards sustainability.

Crime & Disorder Implications:

- 10.6 There are no direct implications for the prevention of crime and disorder arising from this report.

Risk and Opportunity Management Implications:

- 10.7 There has been no direct risk assessment for this report. However, the management of the closure of the council's accounts and the preparation of these complex annual accounting statements are subject to full risk assessment and review.

Corporate / Citywide Implications:

- 10.8 Any material changes resulting from the conclusion of the audit will be included in the Accounts to be reported to the Audit Committee in September 2011.

SUPPORTING DOCUMENTATION

Appendices

None

Documents in Members' Rooms

None

Background Documents

None