

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

16TH JULY 2012

REPORT OF HEAD OF FINANCE & CUSTOMER SERVICES

Report prepared by Paul Holland
Senior Accountant (Client)

1. STATEMENT OF ACCOUNTS 2011/12

1.1 Issue for Decision

1.1.1 To note the completed Statement of Accounts 2011/12 prior to their submission for external audit.

1.2 Recommendation of Head of Finance & Customer Services

1.2.1 That the Committee notes the un-audited completed Statement that has been produced in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

1.3 Reasons for Recommendation

1.3.1 Under the amended Accounts & Audit Regulations 2011 there is no longer a requirement for the Statement of Accounts to be formally approved by Audit Committee prior to their submission for external audit. Instead the Statement has to be signed by the Director of Regeneration & Communities by 30th June, and is then subject to external audit. The audited accounts are then required to be approved by Audit Committee by 30th September.

1.3.2 However, it is considered appropriate to bring the Statement to Audit Committee at this stage as it gives Members an early opportunity to see the Statement and to ask any relevant questions of Officers.

1.4 Statement of Accounts 2011/12

1.4.1 The un-audited Statement is attached at **Appendix A**.

1.4.2 After the introduction of International Financial Reporting Standards in the 2010/11 Code of Practice there was only one significant change in 2011/12. This was the introduction of a category for Heritage Assets.

These are defined as assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge or culture.

1.4.3 A review of assets was undertaken and a number of Heritage assets were identified and valued where it was practical and cost-effective to do so. Full details are disclosed in a note to the accounts, and the Balance Sheet for 2010/11 has been restated to reflect the position had this category been in existence then.

1.4.4 The Statement is evidence that the Council has been able to continue to effectively manage its resources through the particularly difficult economic conditions of the last few years, and that it is in a good position to deal with the continuing economic uncertainty. The particular points that highlight this are as follows:

- The General Fund balance has increased from £9.9m to £10.2m, in line with previous decisions made by Cabinet and Council, and is a consequence of slippage in both revenue and capital spend against the budget for 2011/12.
- The potential for slippage was identified at an early stage through regular monitoring reports, which enabled Cabinet to make informed and early decisions about future resource allocation.
- There was no need to borrow during the year, either for short-term cash flow purposes, or to fund the capital programme.
- The good financial position of the Council is a reflection of the robustness and effectiveness of the budget strategy process.

1.4.5 The key messages from the Statement are as follows:

- a) The value of Long Term Assets has decreased by £9.9m. The major part of this decrease is a significant downward revaluation of the Maidstone Leisure Centre. The new value is a reflection of a different set of assumptions used by the valuer in arriving at the figure compared to those used in the previous valuation. (There was a new valuer engaged for this year).
- b) Current Assets have decreased by £7.1m, which is mainly due to a reduction in the value of cash investments at the end of the financial year. This reflects the continuing use of resources to fund the capital programme, which included major projects at the Museum, Mote Park and in the High Street.
- c) Current Liabilities have decreased by £6.0m, which reflects changes in monies owing to Central Government at the end of the

financial year in respect of Housing Benefits and Business Rates.

- d) There has been an increase in Long Term Liabilities of £15.4m, which is primarily due to a change in the deficit on the Pension Fund, which has increased from £30.3m to £46.6m. This movement reflects the actuary's short term view on the value of the Pension Funds' assets and differs from the three yearly, long term actuarial review.
- 1.5.4. The Statement of Accounts includes the Annual Governance Statement which was considered by Cabinet on 13th June 2012, and by this Committee two days prior to that.
 - 1.5.5. The Committee will note that the Statement of Accounts includes details of Related Party Transactions which, in part, are based upon returns from Members and Senior Officers. The details included are based upon returns received to date and there are no follow up actions required from 2011/12.
 - 1.5.6. The audit of the accounts commences on 23rd July 2012 and the External Auditor expects to formally issue his report to Members in good time to meet the Council's statutory timetable.
- 1.5 Alternative Action and why not Recommended
- 1.5.1 There are no alternatives as the production of the Statement of Accounts is a statutory requirement.
- 1.6 Impact on Corporate Objectives
- 1.6.1 Production of a Statement of Accounts that do not contain any material or significant errors is a key element of the annual external assessment process. It is therefore important that the Statement meets this requirement.
- 1.7 Risk Management
- 1.7.1 The primary risk is that the Council fails to produce its accounts in accordance with the requirements of the Code of Practice. A risk assessment has been undertaken to mitigate this risk.

1.8 Other Implications

1.8.1

1. Financial
2. Staffing
3. Legal
4. Equality Impact Needs Assessment
5. Environmental/Sustainable Development
6. Community Safety
7. Human Rights Act
8. Procurement
9. Asset Management

X
X

1.8.2 Appendices

Appendix A – Draft Statement of Accounts 2011/12

1.8.3 Background Documents

Statement of Accounts Working Papers held in Accountancy section.
Accounts & Audit Regulations 2011
Code of Practice on Local Authority Accounting in the United Kingdom 2011/12

IS THIS A KEY DECISION REPORT?

Yes

No

If yes, when did it first appear in the Forward Plan?

.....

This is a Key Decision because:

.....

Wards/Parishes affected:

.....