

STATEMENT OF ACCOUNTS 2010/11

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Summary

The 2010/11 Statement of Accounts, which is subject to audit, must be certified as a true and fair view of the financial position of the authority by the Section 151 Officer by 30 June 2011 (Accounts and Audit Regulations 2011). The Draft Statement of Accounts for 2010/11 is appended to this report. This report provides an overview of the Accounts and also provides details of the reasons for the most significant changes between the 2009/10 Accounts and the 2010/11 Accounts.

The final revenue outturn for 2010/11 is an overspend of £517,640 on an original gross budget of £629,890,000. The final capital outturn shows a spend of £78,270,000, representing 83% of the revised budget.

The authority's specific reserves and provisions have increased by £1,100,000. The general fund balance has increased by £1,032,000. Schools' balances have decreased by £1,409,000. Full details of the revenue and capital outturn position and the reserves, provisions and balances held by the authority are set out in separate reports on the Agenda for this meeting.

Recommendations

To the Audit Committee

- A. To receive and comment on the draft 2010/11 Statement of Accounts.
- B. To agree that the Section 151 Officer be authorised to make any final adjustments to the Statement of Accounts prior to the 30 June 2011.

REPORT

Background

1. A copy of the 2010/11 Statement of Accounts is attached at Appendix 1. The external audit by the Audit Commission will take place during July and August, after which the Statement of Accounts will be formally published and a final report brought to Full Council. Any material changes as a result of the audit will be reported to the Audit Committee and Council at the earliest opportunity once the Accounts have been signed off by the District Auditor.
2. The statutory deadline for the formal publication of the audited 2010/11 Statement of Accounts is 30 September 2011.

Statement of Accounts

3. The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The format of the Statement of Accounts is governed by the "Code", to make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities possible. The Code requires:
 - All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.
 - Interpretation and explanation of the Statement of Accounts to be provided.
 - The Statement of Accounts and supporting notes to be written in plain language.

4. All of the above has been taken into consideration when producing the authority's own Statement of Accounts. These accounts comprise various sections and statements, these are all briefly explained below:
 - **An Explanatory Foreword** – this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2010/11
 - **The Statement of Responsibilities** – this details the responsibilities of the authority and the Section 151 Officer concerning the authority's financial affairs and the actual Statement of Accounts.
 - **The Audit Opinion and Certificate** – this is provided by the Audit Commission following the completion of the annual audit, this document is therefore draft pending the outcome of the audit.
 - **The Accounting Policies** – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.
 - **The Core Financial Statements**, which comprises:
 - **The Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority which is analysed into 'usable reserves' and other reserves.
 - **The Comprehensive Income and Expenditure Account** – this is fundamental to the understanding of a Council's activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert particular expenditure to be met from capital resources. The 2010/11 Income and Expenditure Account reports a surplus for the year of £87,432,000, however, this is not cash as this takes into account a number of significant theoretical amounts for matters relating to pensions and use of assets. The real cash position was actually a deficit during the year of £317,000 which has resulted in a reduction in the General Fund Balance, which can be seen in the Movement in Reserves Statement

- **The Balance Sheet** – this is fundamental to the understanding of the authority’s financial position as at the 31 March 2011. It shows the balances and reserves at the authority’s disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. As can be seen from the balance sheet the authority’s total equity amounts to £890,441,000, an increase of £87,279,000 which is analysed in the Movement in Reserves Statement. In short this demonstrates that the authority’s assets exceed liabilities by this amount and this represents a very healthy financial position.
 - **The Cash Flow Statement** – this consolidated statement summarises the authority’s inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash.
 - **The Notes to the Core Financial Statements**, which provides supporting and explanatory information on the Core Financial Statements.
 - **The Group Accounts** – these have been prepared to account for the Council’s share in West Mercia Supplies, the North Shropshire Community Asset Trust (CAT) and South Shropshire Leisure Limited. West Mercia Supplies has been treated as a joint venture for the purposes of the accounts, whereas the North Shropshire CAT and South Shropshire Leisure Limited have been consolidated on a subsidiary and quasi subsidiary basis respectively. The Group surplus on the Comprehensive Income and Expenditure Statement is a surplus of £87,609,000 which incorporates a surplus of £177,000 from the 3 companies and £87,432,000 from Shropshire Council.
 - **The Pension Fund Accounts** – the Shropshire County Pension Fund is administered by this Authority, however, the pension fund has to be completely separate from the Authority’s own finances. This statement is an extract from the pension fund annual report and summarises the financial position of the Shropshire County Pension Fund, including all income and expenditure for 2010/11 and assets and liabilities as at 31 March 2011.
 - **The Housing Revenue Account** – the authority is required to account separately for local authority housing provision, as defined in the Local Government and Housing Act 1989 as amended. The account details the income and expenditure relating to the local authority housing provision and details of the movement on the Housing Revenue Account Balance for the year.
 - **The Collection Fund Account** - this account shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates how these have been distributed to preceptors and the General Fund.
5. The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting 2010/11, published by CIPFA (the Code). For 2010/11 there have been a number of changes, the most significant of these changes, that affect the authority, are detailed below:
- Grants and contributions for capital purposes will be recognised as income immediately rather than being deferred and released to revenue to match depreciation.

- The main financial statements have changed, and there are additional requirements regarding segment reporting.
- There is a greater emphasis on component accounting, and a greater emphasis on derecognising parts of an asset that are replaced.
- The basis for defining leases as operating or finance leases has altered in line with the IFRS requirements.
- Investment properties are measured at fair value, with gains and losses recognised in Surplus or Deficit rather than through the revaluation reserve.
- Impairment losses will be taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset.
- All employee benefits are accounted for as they are earned by the employee. This will require accruals for items such as holiday pay.
- The definition of associates is based on the ability to control rather than actual control, and may lead to a change in the group boundary.

Analytical Review

6. An analytical review has been carried out on each element of the Statement of Accounts, this is a final check that provides assurance that the Statement of Accounts is free of material errors and misstatements. The analytical review focuses on figures within the Statement of Accounts that have changed materially when compared with the previous years accounts. For the purposes of the analytical review, the opening balances have been adjusted to add in the cumulative District Balances transferring in. This has ensured that the analytical review is being performed on a like for like basis. For 2010/11 the materiality threshold (i.e. the level of change between 2009/10 and 2010/11) used was 10%, this threshold was used to ensure that all questions that the Audit Commission are likely to raise have been reviewed and explanations are readily available. Details of the significant changes between the two years are shown in Appendix 2.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

CIPFA's Code of Practice (Code) on Local Authority Accounting

CIPFA/SOLACE guidance on the Annual Governance Statement

Revenue and Capital Budget 2010/11

Cabinet Member

Brian Williams, Chair of Audit Committee

Local Member

All

Appendices

1. Statement of Accounts 2010/11 (Unaudited)
2. Analytical Review of Statement of Accounts

Decision(s)