

DRAFT STATEMENT OF ACCOUNTS 2011/12

SUMMARY

- 1.1 To present to Committee the draft Statement of Accounts for 2011/12.

RECOMMENDATION

- 2.1 To note the draft Statement of Accounts for 2011/12 attached in Appendix 2.

REASONS FOR RECOMMENDATION

- 3.1 The Council has a statutory duty to prepare a draft set of accounts by 30 June and publish the final approved accounts by 30 September. Changes to legislation in 2011 mean that it is no longer necessary for the Audit and Accounts Committee to approve the Council's draft accounts.

SUPPORTING INFORMATION

4 Summary

- 4.1 The draft 2011/12 Statement of Accounts has to be signed by the section 151 officer by 31 June 2012. The draft Statement of Accounts was signed on 15 June 2012. The external audit started on 19 June 2012 which is three weeks earlier than last year.
- 4.2 Although the draft Statement of Accounts are no longer required to be signed by the Audit and Accounts committee, we continue to consider it best practice to report to the committee for their information. The purpose of the report and briefing at this meeting is to highlight the key areas and issues within the accounts in order for the committee to consider these during the audit period. A full opportunity to challenge the accounts, once confirmed post audit, will be available at the 5 September 2012 meeting.
- 4.3 The full Statement of Accounts is attached in Appendix 2. This report highlights the main points with summary explanation. Further detail and explanation of the key figures will be provided in an explanatory briefing and presentation to Members at the meeting.

5 Key Headlines

- 5.1 The Council's 'Net Worth' has decreased by £88.231m. This is detailed in the Comprehensive Income and Expenditure Statement (CI&E p18) and also the change in Total Reserves as shown in the Balance Sheet (p19). This figure, although significant, is not a concern as it is largely due to the accounting treatment required for Impairment and Pension estimations.
- 5.2 The Council recognised Impairment losses of £53.876m during 2011/12. This was largely due to the transfer of schools to Academy status. The Council is required to remove these assets from the balance sheet on transfer to Academy status. Schools transferring are shown as either disposals or impairment depending on the transfer date. Seven schools will be moving to Academy status on the 1st September 2012 resulting in an impairment of £38.699m. A further three schools converted during 2011/12 and have been reflected as disposals in the accounts totaling £31.840m.
- 5.3 An increase in the Council's net pension liability of £51.399m has also been recognised. Pension liabilities (future pension payments) are estimated by an independent firm of actuaries using mortality rates, salary levels and assumptions about market performance and inflation. Changes in the Council's pension liability are reflected as gains and losses in the CI&E.
- 5.4 Short Term Debtors have reduced by £14.497m. This is largely attributable to a reduction in the amount owing from the government for NNDR redistribution and amounts owing from Customs and Excise.
- 5.5 The Council's revenue outturn included within the CI&E statement is a net saving of £2.975m compared to the latest approved budget. Explanation of the outturn variances and proposed uses are detailed in a separate report to the Council Cabinet. An explanation of the movement from the CI&E account to the outturn will be included in the explanatory briefing to be delivered at the meeting.

6 New Requirements

- 6.1 Under the Carbon Reduction Commitment (CRC) scheme the Council is now required to purchase allowances for the amount of carbon dioxide produced as energy is used. For the first time the accounts therefore include a £432,000 creditor to purchase allowances for settlement of the 2011/12 CRC liability.
- 6.2 From 2011/12 the Council is required to account for tangible and intangible heritage assets in accordance with FRS 30 Heritage Assets. Heritage assets are assets that are intended to be preserved in trust for future generations due to their cultural, environmental or historical associations. The principal collections of heritage assets held by the Council include:
- Art collection, including Joseph Wright collection
 - Decorative art collection, including ceramics and porcelain works
 - Industrial collection
 - Natural history collection
 - Military Collection
 - Civic regalia
 - Sculptures and monuments

- 6.3 These assets, valued at £74.591m on 31 March 2012, are shown within the Balance Sheet and further detailed in note 18 (p72). The 2009/10 and 2010/11 balance sheets have been restated to include Heritage Assets for comparison.
- 6.4 The Council is also now required to disclose the number and cost of exit packages incurred in the financial year. These exits include the corporately run voluntary and compulsory redundancy exercises as well as business as usual exits. This information is included in notes 39 and 40 (p107 & 108).

7 Next Steps

- 7.1 The Accounts are subject to external audit during June to August 2012. Should there be any material changes required as a consequence of the audit, these will be reported to the 5 September 2012 Audit and Accounts Committee, and a final Statement of Accounts will be presented for approval.
- 7.2 The accounts will be published by 30 September 2012 in line with the Accounts and Audit regulations 2011. This will be on the basis of the final audited Statement of Accounts confirmed at the next Audit and Accounts Committee.
- 7.3 The Council's auditors, Grant Thornton have to comply with the Code of Audit Practice, which requires them to report to the body charged with approving the accounts any issues relating to their audit in an External Audit – Audit Memorandum. This will combine any final accounts issues to report. The audit memorandum and final opinion will be reported to the 5 September 2012 Audit and Accounts Committee for consideration by members.

OTHER OPTIONS CONSIDERED

- 8.1 Not applicable.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Service Director(s) Other(s)	Martyn Marples - Director of Finance and Procurement
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For more information contact: Background papers: List of appendices:	Chloe Kenny 01332 643369 e-mail chloe.kenny@derby.gov.uk None Appendix 1 - Implications Appendix 2 - Statement of Accounts 2011/12
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IMPLICATIONS

Financial and Value for Money

- 1.1 As detailed in the report.

Legal

- 2.1 The Accounts and Audit Regulations 2003 require authorities to obtain approval by a council committee to the Statement of Accounts and Group Accounts by 30 June.
- 2.2 The Accounts are prepared in accordance with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2011.

Personnel

- 3.1 None directly arising.

Equalities Impact

- 4.1 None directly arising.

Health and Safety

- 5.1 None directly arising.

Environmental Sustainability

- 6.1 None directly arising.

Asset Management

- 7.1 None directly arising.

Risk Management

- 8.1 None directly arising.

Corporate objectives and priorities for change

- 9.1 None directly arising.