

Open Report on behalf of Pete Moore, Executive Director of Resources and Community Safety

Report to:	Audit Committee
Date:	11 July 2011
Subject:	Draft Statement of Accounts 2010-11

Summary:

The draft Statement of Accounts for Lincolnshire County Council for the financial year 2010-11 is attached to this report. Members of the Audit Committee are asked to scrutinise and comment on the draft Statement of Accounts. The final Statement of Accounts for 2010-11 will be presented to the Audit Committee in September for approval.

Recommendation(s):

Members of the Audit Committee are asked to scrutinise and comment on the draft Statement of Accounts, within the framework set out in The Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 and other statutory guidance.

Background

The County Council prepare its annual Statement of Accounts in line with the proper accounting practices required by section 21(2) of the Local Government Act 2003 and set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 and the Best Value Accounting Code of Practice (BVACoP)

In addition to this guidance the County Council's accounts are prepared using the accounting policies set out at note one on pages 14 to 29 of the accounts. The accounting policies are the principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are reflected in the Statement of Accounts. These policies are reviewed annually to ensure they remain current and were agreed by this committee at its meeting on 13 December 2010.

The 2010-11 adoption of International Financial Reporting Standards (IFRS) has significantly changed the format and content of the Statement of Accounts from that presented in previous years. Details of these changes have been reported to this committee previously and are summarised below:

- There are changes to the main financial statements (details for the purpose and content of the main financial statement can be found in the explanatory foreword on pages 3 to 8), and there are additional requirements regarding service segment reporting (see note 29 on pages 70 to 76).
- Grants and contributions for capital purposes will be recognised as income immediately it is received rather than being deferred and released to revenue to match depreciation over the life of the asset;
- There is a greater emphasis on component accounting for assets, and a greater emphasis on derecognising parts of an asset that are replaced.
- Property leases are classified and accounted for as separate leases of land and buildings and contractual arrangements need to be assessed to identify whether these arrangements contain the substance of a lease (see note 44 on pages 88 to 90);
- Investment properties are measured at fair value, with gains and losses recognised in Surplus or Deficit rather than through the revaluation reserve (see note 14 on pages 48 to 49);
- 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;
- The Code introduces a new classification of non-current assets held for sale. Specific criteria apply to this classification (see note 21 on page 60); and
- All employee benefits are accounted for as they are earned by the employee. This will require accruals for items such as holiday pay (see note 22 on page 61).

The financial information previously reported in last years Statement of Accounts for 2009-10 has been updated to comply with IFRS. Details of the changes are set out in this year accounts at note 55 on pages 104 to 115.

Councillors have little discretion to influence the content of the statements as they are prepared using the above guidance, however Councillors do have a responsibility for the corporate governance of the Council and this includes robust scrutiny of the Council's financial accounts and financial position. Therefore, Members of the Audit Committee are asked to scrutinise and comment on the Statement of Accounts.

Councillors may wish to initially focus on the Explanatory Foreword (pages 3 to 8). This attempts to provide a straight forward overview of the Council's financial health and performance and highlights the significant areas of financial activity during the year.

Councillors should note that separate reporting takes place on expenditure incurred over 2010-11 relative to the approved budget. This review of financial

performance was considered by the VfM Scrutiny Committee on 28 June and the Executive on 5 July. Recommendations arising in terms of the treatment of over and underspendings will be considered by full Council on 16 September.

Conclusion

The Committee's scrutiny and comments will be reflected in the final Statement of Accounts which will come back to this Committee in September.

The statements are subject to external audit and the Council's External Auditor (The Audit Commission) will give an opinion on whether the accounts give a 'true and fair' view. The results of the external audit will be reported back to the Audit Committee in September. The Audit Committee will then be asked to approve the final Statement of Accounts for 2010-11.

The accounts and supporting information are available for inspection by the public during the period 20 June 2010 to 15 July 2010 inclusive.

Consultation

a) Policy Proofing Actions Required

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Draft Statement of Accounts 2010-11

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
The Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 (Based on International Financial Reporting Standards)	Executive Director for Resources and Community Safety
The Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 (Guidance Notes for Practitioners)	Executive Director for Resources and Community Safety
Best Value Code of Practice	Executive Director for Resources and Community Safety

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