

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 27th September 2012
Report of: Director of Finance and Business Services
Subject/Title: Final Statement of Accounts 2011-12
Portfolio Holder: Councillor Peter Raynes (Finance)

1.0 Report Summary

- 1.1 Following completion of the statutory audit, in accordance with the Accounts and Audit Regulations 2011, the Statement of Accounts are now presented to the Committee for approval.
- 1.2 The Final Statement of Accounts will be circulated to members prior to the meeting.

2.0 Recommendation

- 2.1 That subject to consideration of the Annual Governance Report and the auditors' findings, the Committee approve the final Statement of Accounts for 2011/12.

3.0 Reasons for Recommendations

- 3.1 To ensure compliance with the Accounts and Audit Regulations 2011.

4.0 Wards Affected

- 4.1 Not applicable

5.0 Local Ward Members

- 5.1 Not applicable

6.0 Policy Implications including carbon reduction and health

- 6.1 None

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

- 7.1 As covered in the report

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 As covered in the report

9.0 Risk Management

- 9.1 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices.

10.0 Background and Options

- 10.1 The Accounts and Audit (England) Regulations 2011 removed the requirement for the 2011/12 Accounts to be formally reviewed and approved by the Audit and Governance Committee prior to audit i.e. before the end of June. Members are now required to consider and approve the Accounts before 30th September, taking into account the auditors findings and any consequential adjustments to the draft Accounts.
- 10.2 The audit of the Accounts commenced on 2nd July 2012 and is now reaching its conclusion. As a result of the audit and the Council's own scrutiny of its Accounts a number of errors have been identified and amended in the final version of the Statements.
- 10.3 Training sessions have been held with the Committee in early September, which provided members with the opportunity to consider more detailed aspects of the Accounts.

11.0 Changes in Accounting Treatment

- 11.1 2011/12 represented the second year of International Financial Reporting Standards (IFRS) implementation. Local government bodies have adopted IFRS and the 2011/12 accounts have been produced on this basis, as defined by the CIPFA Code of Practice.
- 11.2 In 2011/12 there was only one significant change in the Code's requirements; that is to reflect the introduction of a new category of assets called Heritage Assets. These assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia and museum and art gallery collections. Heritage Assets are defined as assets that are maintained for their contribution to knowledge and culture and are held in order to preserve them for future generations.

12.0 Amendments to the Accounts

- 12.1 At the time of writing the following amendments have been agreed and reflected in the final Statement of Accounts.

- Investments (Note 19a) ~ An amount of £1.508m has been reclassified from short term to long term investments.
 - Defined benefit pension schemes (Note 47) ~ An amount of £2.946m has been reclassified from past to current service costs.
 - Revaluation Reserve (Note 26a) and Property, Plant and Equipment (Note 12) ~ Correction of an overstatement of revaluations and impairments recognised in the Revaluation Reserve and Property, Plant and Equipment, value £1.188m.
 - Current debtors (Note 21) ~ Correction of a misclassification relating to a benefits claimants comparative, value £0.351m.
- 12.2 The Explanatory Foreword has been revised to provide a reconciliation from the final outturn position to the figures disclosed in the Comprehensive Income and Expenditure Account.
- 12.3 The remainder of the changes are presentational and include minor changes to wording to improve readability.

13.0 Summary of Final Accounts

- 13.1 The changes outlined above have had no material impact on the Core Statements.

Comprehensive Income and Expenditure Statement

- 13.2 This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

	2011/12			2010/11 Restated
	Expenditure £000s	Income £000s	Net £000s	Net £000s
Central services to the public	26,884	(2,639)	24,245	4,028
Cultural & Related Services	43,492	(9,531)	33,961	29,825
Environmental & Regulatory Services	42,085	(5,178)	36,907	37,594
Planning Services	13,391	(5,604)	7,787	8,307
Education and children's services	315,442	(233,641)	81,801	88,209
Highways and transport services	38,828	(9,405)	29,423	31,120
Other housing services	86,567	(2,288)	84,279	6,165
Adult social care	160,111	(45,744)	114,367	117,686
Exceptional items	0	0	0	(109,253)
Corporate and democratic core	4,877	0	4,877	3,277
Non distributed costs	5,087	(48)	5,039	8,482
Cost Of Services	736,764	(314,078)	422,686	225,440
Other Operating Expenditure	40,372	(3,089)	37,283	11,694
Financing and Investment Income and Expenditure	11,843	(7,894)	3,949	30,458
Taxation and Non-Specific Grant Income	0	(411,581)	(411,581)	(305,392)
(Surplus) or Deficit on Provision of Services	788,979	(736,642)	52,337	(37,800)
(Surplus) / deficit on revaluation of assets/investments			(12,992)	(183,628)
(Surplus) / deficit on Pensions			84,614	(235,281)
Other Comprehensive Income and Expenditure			71,622	(418,909)
Total Comprehensive Income and Expenditure			123,959	(456,709)

- 13.3 The Surplus or Deficit on Provision of Services gives the overall 'true economic cost' of providing the Council's services. The figure of £52.3m for 2011/12 shows an overall deficit and is due to the number of adjusting items in the income and expenditure account which do not impact on balances, these adjustments relate to the depreciation and impairment of assets, gain/losses on disposal of assets, capital grants and pension costs. After taking into account these adjustments the final impact on the general fund balance for 2011/12 is a reduction of £1.1m, which is consistent with the position reported to members at outturn.
- 13.4 The final outturn position reflects the decision to write off capital expenditure of £1.6m on the aborted PFI Waste Project and fund the costs from revenue reserves.

- 13.5 By comparison the adjusting items for 2011/12 resulted in an overall surplus on the provision of services. In the main this related to the rebasing of future pension increases to the Consumer Price Index rather than the Retail Price Index and this is reflected in the Exceptional Items line.
- 13.6 Aside from pension costs, the other main variances from the 2010/11 Income and Expenditure Statement relate to the treatment of Council Tax and Housing Benefit Subsidy as Non-specific Grant Income rather than service specific.

Balance Sheet

- 13.7 This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

Balance Sheet	31 March 2012 £000	31 March 2011 £000	Change
Non-Current Assets	882,859	916,633	(33,774)
Long Term Investments and Debtors	22,607	5,389	17,218
Long Term Assets	905,466	922,022	(16,556)
Short Term Investments	5,195	39,358	(34,163)
Assets Held for Sale	9,314	215	9,099
Inventories	682	1,011	(329)
Short Term Debtors	52,292	61,393	(9,101)
Cash and Cash Equivalents	34,592	26,365	8,227
Current Assets	102,075	128,342	(26,267)
Short Term Borrowing	(5,521)	(5,021)	(500)
Short Term Creditors	(102,094)	(100,614)	(1,480)
Current Liabilities	(107,615)	(105,635)	(1,980)
Provisions	(6,039)	(5,864)	(175)
Long Term Borrowing	(128,880)	(129,382)	502
Net Pension Liability	(360,242)	(280,723)	(79,519)
Other Long Term Liabilities	(26,858)	(26,894)	36
Long Term Liabilities	(522,019)	(442,863)	(79,156)
Net Assets	377,907	501,866	(123,959)
Usable Reserves	60,785	74,968	(14,183)
Unusable Reserves	317,122	426,898	(109,776)
Total Reserves	377,907	501,866	(123,959)

- 13.8 The value of the Council's Non-Current assets has fallen by £33.8m due to the depreciation and impairment of assets and the writing out of four Foundation Schools. A number of assets have also been reclassified.

- 13.9 The increase in Long Term Investments relates to investments in Pooled Funds where the expectation is for these investments to be retained over twelve months.
- 13.10 The reduction in Short Term Investments is due to a combination of transfers to Long Term Investments and a general reduction in cash balances held by the Council. The Council has deliberately used cash balances to finance capital expenditure in 2011/12 to avoid the need to externally borrow and has therefore made substantial savings in external interest costs.
- 13.11 The Net Pension Liability has increased by £79.5m, mainly as a result of the Local Government Pension Scheme (LGPS). The decrease in the LGPS is due to falling bond yields and poor asset returns.
- 13.12 Both usable and unusable reserves have fallen over the last 12 months. The £14.2m reduction in usable reserves is due to the Council's use of capital receipts and grant funding brought forward from previous years to fund capital expenditure and the planned drawdown of earmarked reserves. Unusable reserves have been used to fund the increase in the pension liability.

14.0 Next Steps

- 14.1 The final version of the Statement of Accounts will be published on the Cheshire East website before the statutory deadline of 30th September and a more accessible version of this information will be made available in the form of a Summary Statement of Accounts.

15.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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