

**Agenda Item No:** 5  
**Report To:** **Audit Committee**  
**Date:** 6 March 2012  
**Report Title:** Presentation of Financial Statements  
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**Summary:** The Council adopted International Financial Reporting Standards for the closure of the 2010/11 accounts, there are some updates for the 2011/12 accounts. This report will look at how these updates will impact on the council's accounts.

The key areas of focus are the changes to the accounting policy for heritage assets, exit packages and community infrastructure levy (CIL).

HRA self financing reform will increase the authorities outstanding debt as at 31 March 2012, see paragraph 14 for detail.

**Key Decision:** No

**Affected Wards:** None specifically

**Recommendations:** **The Audit Committee be asked to:-**

- **Note the report**
- **Note draft accounting policy for Heritage Assets (appendix A)**

**Financial Implications:** None

**Risk Assessment** This report covers updates to The Code (Code of Practice on Local Authorities Accounting) – if the council fails to implement the changes correctly there is a risk of audit issues and reputational risk.

**Equalities Impact Assessment** No

**Other Material Implications:** None

**Background Papers:** Draft Closing Timetable 2011/12

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## **Report Title: Presentation of Financial Statements**

### **Purpose of the Report**

1. To update members on the progress of the production of the Statement of Accounts 2011/12 (the Statement) and how changes are to be managed and implemented.

### **Issue to be Decided**

2. Members are asked to note the report and 2011/12 Statement of Account changes.

### **Background**

3. The Council is required to produce an annual statement of accounts for the financial year ending the 31 March. These are then audited by the Council's external auditor and an opinion issued by the end of September.
4. In the lead up to adoption of International Financial Reporting Standards (IFRS) there were a number of changes each year to limit the impact of implementing IFRS in one year. This council, like all other local authorities, fully adopted the new standards in 2010/11.
5. This year there are a few changes to the Code (Code of Practice on Local Authorities Accounting) following the IFRS implementation. These changes are to be incorporated into the final accounts for 2011/12.

### **Audit Wrap Up and Closing Timetable**

6. Officers met with the audit team to discuss any issues that had arisen in the closing process for 2010/11 in early February and have incorporated changes into the closing programme for 2011/12.
7. Overall officers and auditors were happy with both the audit process and happy with the working relationship. Communication regarding the audit progress to officers was highlighted as an issue during the 2009/10 closing process. This was improved during the 2010/11 round and officers are hoping this will continue. Holding regular update meetings through the audit is important and needs to be maintained for 2011/12 closing period.
8. Last year the accountancy team changed the referencing of working papers following comments from the audit team regarding the difficulty of finding the information required. The audit team agreed that the changes did improve the referencing and it was easier to locate the correct working papers.
9. The council has a change to the audit team this year with a new principal auditor, Daniel Woodcock. Daniel has been part of the audit team at Ashford for a number of years, therefore it is hoped there will be a smooth transition.
10. The Audit of the 2011/12 accounts will commence on 2 July for three to four weeks, with Audit Commission commencing their planning work on 25 June.

They are due to Audit the Whole of Government Accounts return in August. The controls testing programme is underway with no issues raised to date.

11. Officers have completed a draft closing timetable that is currently being reviewed by the Accountancy team. The key deadlines are:
- service revenue accounts and Collection Fund closed by 20 April
  - balance sheet codes closed by 11 May
  - a draft statement by 1 June

This is consistent with previous timetables and is considered achievable.

## **Accounting Changes for 2011/12**

12. The adoption of FRS 30 – Heritage Assets
- The authority is required to include an accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) or not recognised in the balance sheet.
  - An example of assets within this class are:
    - The town centre tank, this is currently held with no value
    - The Victoria Park fountain, this is currently held at cost as a community asset
  - Restatement of 2010/11 for the opening balance of heritage assets.
  - It is proposed to set a De-minimus level for these assets of £10,000 and to, where possible, use the insurance valuation. A draft accounting Policy is attached in appendix A.
13. Other Changes:
- Exit Packages – requires the council to disclose the number and value of exit packages agreed. Where a confidentiality agreement has been signed, it is the view of the Monitoring Officer that these should not be disclosed.
  - Community Infrastructure Levy (CIL) – the council has not implemented this levy but draft proposals for the scheme are expected by the end of 2012 with a possible implementation date of spring 2013. The guidance notes include direction on the accounting requirements for this levy and when a levy is introduced an accounting policy will be introduced.

## **Housing Revenue Account Self-Financing**

14. From 1 April 2012 the government are implementing a self financing arrangement for all councils with housing stock, this means ‘buying out’ of the current subsidy system. As a result we will need to take out a number of loans

with varying terms, amounting to £124,333,188 (currently £5,991,150), as agreed with the Council's Treasury Advisors, Arlingclose. The transactions required in the current financial year and will impact upon the Council's balance sheet and cash flow statement, they are as follows:

- Loan applications submitted by 26 March 2012
- Loan received two working days after the application, 28 March 2012
- Payment to CLG on 28 March 2012

15. Officers have started discussions with the external Auditors regarding their involvement in this transaction.

## **Risk Assessment**

16. For the 2011/12 Statement of Accounts there are few changes to the format of the statement and material changes to accounting policy. Therefore the risks are considered to be low.
17. The HRA buyout transactions are material but will be treated in a similar way to the other loans and therefore are viewed to be low risk.

## **Consultation**

18. Members are asked to note the changes to the final accounts process.

## **Conclusion**

19. The accounting updates have been reviewed and amendments have been made to the accounting policies which brings the Council in-line with requirements.

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## **Draft Accounting Policy – Heritage Assets**

Held within Property, Plant and Equipment, heritage assets are carried at valuation (e.g. insurance valuation) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon. Valuations are determined by the insurance valuation, or where not available the historical cost. Although there are no prescribed minimum periods for review, the assets will be reviewed in line with the insurance policy and material changes will be incorporated into the accounts. A de-minimis level has been set at £10,000 for heritage assets based on the method of valuation above.