

**To: Audit & Governance Committee**

**Date: 16<sup>th</sup> April 2012**

**Item No:**

**Report of: Head of Finance**

**Title of Report: Preparation for the completion of the Statement of Accounts for 2011-12**

## **Summary and Recommendations**

**Purpose of report:** To update members on the preparations being made for the completion of the Statement of Accounts for 2011-12

**Report Approved by:**

**Policy Framework:** Financial stability

**Recommendation(s):**

The Audit and Governance Committee is asked to note progress with the preparations for the Statement of Accounts for 2011-12 and agree the changes in accounting policies, as per Appendix A.

**Appendix A – Revised Accounting Policies**

**Appendix B – A copy of closedown guidance note for Managers**

**Appendix C – Working paper template.**

## **BACKGROUND**

- 1 The Annual Governance Report from the Audit Commission for last year gave an 'unqualified opinion' on the Council's Statement of Accounts for 2010-11. This was a considerable achievement for the second year running especially as last year was the first year of adoption of International Financial Reporting Standards (IFRS) which for many authorities was problematic.

## NEW ISSUES FOR 2011-12

2 Given the significant changes for IFRS adoption last year this years 'closedown' is seen as a period of consolidation. However there are a number of changes which Members need to be aware of, some of which require changes and additions to our accounting policies.

- **Heritage Assets**

This is a new accounting policy required for 2011/12, due to the introduction of accounting for Heritage assets, and can be found in full at 1.14 in Appendix A. In summary all Heritage assets have to be identified and valued, but these assets are deemed to have an indeterminate life and high residual value, and the Authority does not consider it necessary to provide for depreciation.

- **Interest in Companies and Other Entities**

This is a new accounting policy required for 2011/12. Members will be aware that the Council are part of a joint venture company with Grosvenor for the development of land at Barton. A proportion of the assets and liabilities of the company will belong to the Council and as such Group accounts are required to be prepared. The method adopted is to provide side by side Financial Statements consolidated on a proportionate basis. This is shown in 1.16 in Appendix A.

- **Carbon Reduction Commitment Allowance**

This is a new accounting policy required for 2011/12, the Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. For 2011/12 the Council will be required to accrue for its energy credits for the year. The policy can be found in 1.27 in Appendix A.

- **Housing Revenue Account (HRA) Self Financing**

On 28<sup>th</sup> March 2012 the council will pay DCLG £198.5 million in relation to the HRA self financing reforms. The accounting entries for this will show this amount in the HRA CI&E, but will be taken back out through the MIRS so as not to affect the bottom line. This is referenced in the accounting policies shown in Appendix A at paragraph 1.28.

- **Housing Levy**

The Council has adopted a policy of making a levy on the square footage of housing development land. This requires an accounting policy to be stated, this can be found in Appendix A at 1.13

- **Foreign Currency Transactions**

This is an additional Accounting policy to account for the Icelandic deposit that has been returned in a combination of

currencies, however this will also deal with any further foreign transactions should we have any. The details can be found in Appendix A paragraph 1.10.

- **Community Infrastructure Levy**

This is a new scheme starting in 2011/12, therefore a new Accounting Policy has been created to outline how the Council will deal with these. The details can be found in Appendix A paragraph 1.12.

- There have also been some small additional changes to the Accounting Policies, in particular to General Principles; Overheads and Provisions. These changes are due to changes in the Code and Service Reporting Accounting Code of Practice (SeRCOP), however these changes are not significant to our policies..

3 Whilst the progress on accounts closure has been significant, a number of areas of improvement around working papers were highlighted by the Audit Commission as follows :

- a. Lack of narrative to explain links to supporting spreadsheets
- b. A number of working papers did not support the figures in the accounts
- c. Issues around linking the trial balance to the Councils' general ledger

4 In response to these recommendations the following actions have been carried out:

- A working paper template incorporating a detailed explanation of supporting spreadsheets has been prepared and circulated to all accountants, as per Appendix C.
- the Comprehensive Income and Expenditure Account, Balance Sheet and Segment Report are now automatically linked to the Council's general ledger on Agresso allowing easier reconciliation.

## **GUIDANCE AND TRAINING**

5 In line with previous years a guidance note has been issued to all Heads of Service, Operational Managers and staff involved in the closedown process. A copy of the guidance is attached at Appendix B. There are no significant changes to previous years.

6 Training has been provided to Management accountants in specific areas such as accounting for grants, depreciation, the importance of

adhering to the closedown timetable and the escalation of issues that arise. Monitoring of the overall timetable will be undertaken by the Financial Accounting Manager and Head of Finance throughout the closedown process.

**Financial Implications**

- 7 These are adequately covered within the report

**Legal Implications**

- 8 There are no legal implications in connection with the recommendations included within the report

**Risk Implications**

- 9 There would be a reputational impact for the council should we not achieve an unqualified set of accounts of 2011/12. However progress towards this means that this risk is currently at an impact of medium and a probability of low.

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**Background papers:** None