

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Corporate Services

Audit and Performance Review Committee : 11 May 2011

Subject: Financial Statements 2010/11

1. Purpose

- 1.1** The purpose of this report is to provide an update to Members on the work completed to date in relation to updating the Council's Financial Statements to the required International Financial Reporting Standards (IFRS) format. This update takes the form of a recent review carried out by KPMG.
- 1.2** This report also presents to Members the accounting policies to be used in preparing the 2010/11 IFRS compliant Financial Statements of the Council.
- 1.3** This report also identifies information required to be presented for the first time within the Council's Financial Statements, regarding the remuneration of senior officers and elected Members

2. Background

- 2.1** Central government and health bodies have already adopted IFRS and produced their first set of accounts on this basis. Local government's first set of IFRS accounts is 2010/11. There are a number of changes to practices, reporting and monitoring which have to be considered in order for the Council to comply with IFRS.
- 2.2** To comply fully with IFRS, the Council require to re-state their 2009/10 Financial Statements in line with IFRS and their balance sheet as at 31 March 2009. This allows the Council to have a revised opening balance sheet as at 1 April 2010 and comparative figures for all other statements and supporting notes. This has been completed and has been reviewed by and discussed with KPMG, the Council's external auditors.
- 2.3** The Local Authority Accounts (Scotland) Amendment Regulations 2011 amend the Local Authority Accounts (Scotland) Regulations 1985 and require local authorities in Scotland to prepare a Remuneration Report as part of the Council's Financial Statements from 2010/11.

3. Main Issues

IFRS compliant Financial Statements

- 3.1** There are a number of technical changes to be made to comply with IFRS, including:
 - (a) Council's accounting policies have been reviewed and updated;

- (b) Fixed assets have been measured and recorded differently, particularly as a result of valuation bases, impairment, revaluation losses and a stronger emphasis on component accounting (ie separate parts of assets are categorised and depreciated separately);
- (c) Outstanding holiday pay has been accrued. That is, for staff that have annual leave/flexi hours remaining at 31 March, a provision is required to be accrued into the financial statements for the cost of this;
- (d) Categorisation of leases may change and leases held by the Council as lessee and lessor have been reviewed.

Current position

3.2 The Finance staff are well advanced in the completion of the re-stated 2009/10 financial statements:

- (a) The main financial statements and notes to the statements have been completed and have been reviewed by KPMG, with a few outstanding queries. Appendix 1 identifies points raised by KPMG during their review;
- (b) The current accounting policies have been reviewed and amended, where necessary. These have been reviewed by and agreed with KPMG, pending any changes as necessary as the Council progresses through the 2010/11 year end process. Appendix 2 notes the revised draft accounting policies for the 2010/11 financial statements.

The Remuneration Report

- 3.3** The Remuneration Report will be used to provide details of the Council's remuneration policy for its senior councillors and senior employees and state how remuneration arrangements are managed. This would be in addition to the Members Statement of Expenses which is published on an annual basis.
- 3.4** The regulations require the report to provide information on the number of persons whose remuneration was £0.050m or more during the year. This information is disclosed on bands of £0.005m. This is similar to a note disclosed in previous years, however, the bands were previously £0.010m.
- 3.5** The Regulations require disclosure of remuneration information for 'relevant' persons – i.e.:
- (a) senior councillors (e.g. Leader of the Council, Provost, Convener, etc).
 - (b) senior officers (including Corporate Management Team, Chief Legal Officer, Chief Social Work Officer, Section 95 Chief Financial Officer, officers receiving more than £0.150m or more, etc.).

3.6 The disclosure of remuneration will include:

- (a) Name of the person
- (b) Post held
- (c) Salary, fees and allowances
- (d) Bonuses
- (e) Cost in relation to Early Retirement/Voluntary Severance
- (f) Benefits received other than in cash

3.7 The disclosure is not limited to those in post as at 31 March, but should include all relevant persons who may have left or started with the Council during the year.

3.8 An example of a skeleton remuneration report is attached in appendix 3 for information.

4. People Implications

4.1 There are no people implications.

5. Financial Implications

5.1 There are no financial implications

6. Risk Analysis

6.1 Failure to address any outstanding issues outlined in the report in Appendix 1 could impact on the final audit opinion awarded to the Council in respect of the audit for 2010/11.

6.2 Failure to complete the necessary information on the remuneration report as outlined in Appendix 3 could impact on the final audit opinion awarded to the Council in respect of the audit for 2010/11

7. Equalities, Health & Human Rights Impact Assessment (EIA)

7.1 No significant issues are identified at this stage regarding potential equality impact of this report

8. Conclusions and Recommendations

8.1 There are a number of changes to the Financial Statements for 2010/11 due to the implementation of IFRS compliant financial statements and the legislative changes in respect of a remuneration report

8.2 The Committee is invited to consider the report and appendices 1 (the Council's current position on IFRS compliant accounts, per KPMG) and 3 (a draft skeleton remuneration report).

8.3 The Committee is invited to approve the revised accounting policies, per appendix 2.

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Date: 20 April 2011

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Appendix:

- 1 KPMG report
- 2 Accounting Policies
- 3 Skeleton Remuneration Statement

Background Papers: Code of Practice on Local Authority Accounting in the UK
2010/11 Accounts;
The Local Authority Accounts (Scotland) amendment
Regulations 2011 (SSI No.2011/64)

Wards Affected: All