



AGENDA ITEM: 5

SUMMARY

Report for:	AUDIT COMMITTEE
Date of meeting:	26 June 2013
PART:	I
If Part II, reason:	

Title of report:	Statement of Accounts 2012/13
Contact:	Cllr Nicholas Tiley, Portfolio Holder for Finance and Resources Sally Marshall, Corporate Director (Finance and Governance)
Purpose of report:	The purpose of this report is to present the Council's Statement of Accounts for 2012/13.
Recommendations:	It is recommended that Members of the Audit Committee: <ul style="list-style-type: none"> a) Review the financial out-turn position for 2012/13; b) Approve movements on earmarked reserves; c) Review and approve Capital Carry Forwards to 2013/14; d) Review the Statement of Accounts 2012/13; e) Approve the Annual Governance Statement included within the Statement of Accounts.
Corporate objectives:	Corporate Governance
Statutory Officer Comments:	Section 151 Officer : My comments are included within the body of this report and within the commentary and Explanatory Foreword to the Statement of Accounts. Monitoring Officer: The Council has a statutory duty to approve the Statement of Accounts by 30 September in accordance with the Account and Audit Regulations 2011.
Consultees:	None
Background papers:	None

BACKGROUND

1. The Account and Audit Regulations 2011 require that the Council's Section 151 Officer must certify, by 30 June each year, that the pre-audit Statement of Accounts presents a true and fair view of the financial position as at the end of the previous financial year.
2. The Council must then approve their audited financial statements by 30 September. The Council must therefore work with its External Auditor, which is now Ernst and Young, to enable them to present their audit opinion on:
 - whether the Statement of Accounts presents a "true and fair" view of the financial position of the audited body and its expenditure and income for the year in question; and
 - whether the Statement of Accounts has been prepared properly in accordance with relevant legislation and applicable accounting standards.
3. Once complete, the Auditor's opinion is added to the Statement of Accounts, with further detail of the audit findings provided in the Annual Audit Letter to the Council. This complete Statement of Accounts will be presented to the Audit Committee, for formal approval, at its meeting scheduled for 19 September 2013.

Final Outturn 2012/13

4. The final outturn position for the Council is the fundamental basis for the Statement of Accounts. The Audit Committee is therefore requested to consider and approve final outturn prior to considering the Statement of Accounts.
5. The Provisional outturn for 2012/13 was considered by Cabinet at its meeting of 28 May 2013 and by this Committee at its meeting of 29 May 2013. Following continued work on the Statement of Accounts, there have been a number of further adjustments, as detailed below.

General Fund

6. The final General Fund outturn is detailed at Appendix A.
7. The key change to note since the provisional outturn was reported is that the contributions to/(from) earmarked reserves (Appendix D) have been amended to reflect:
 - (£139k) additional use of the Vehicle Replacement Reserve to finance the capital programme. This does not impact upon the General Fund Working Balance;
 - (£56k) additional use of the Local Development Framework reserve to finance costs identified since provisional outturn was completed; and
 - £32k grant relating to the Maylands Partnership has been transferred to the Maylands Plus Reserve.

8. There are three further adjustments, which have impacted on both the Net Cost of Services and the General Fund Working Balance.
- (£214k) Recharge income for Strategic Housing costs charged from the General Fund to the Housing Revenue Account;
 - (£133k) Reduction in the level of Bad Debt Provision, which was recalculated after the provisional outturn was set; and
 - £56k additional provision has been made, relating to potential future litigation, based on the information that became available since the provisional outturn.

The net effect of all the above changes, together with several immaterial changes, has been to increase the General Fund Working Balance by £319k since the provisional outturn report. The closing balance of £2.991m is consistent with the Council's target of maintaining the Working Balance at between 5-15% of Net Cost of Service Expenditure.

9. The following year-end accounting adjustments impact upon the Net Cost of Services line but are adjusted below the line and do not impact on the General Fund Working Balance:
- (£861k) Statutory Pension Fund adjustments;
 - £176k Grant Income removed from service accounts;
 - (£94k) Leave Accrual; and
 - £74k Additional capital charges.

Housing Revenue Account

10. The final Housing Revenue Account outturn position is shown in Appendix B.
11. The key point to note is that, as a result of the year-end adjustments the provisional closing balance of £3,299k has reduced by £522k to £2,777k.
12. There are three main adjustments, which account for the variance:
- £214k increase in the recharged costs for Strategic Housing between the General Fund and the Housing Revenue Account;
 - £210k increase in depreciation costs resulting from the increased valuation of the Council's housing stock; and
 - £77k increase in Bad Debt provision, mainly due to an increase in the age of debts.

Capital Programme

13. The final Capital Programme position is summarised below and set out scheme by scheme in Appendix C.

	Budget	Actual	C/Fwd	Variance
	£'000	£'000	£'000	£'000
GF - Finance and Resources	6,028	5,105	783	(140)
GF - Housing and Community	3,597	3,633	(17)	19
GF - Strategic Planning & Environment	1,549	1,292	238	(19)
Housing Revenue Account	20,685	18,184	1,771	(730)
Total Expenditure	31,859	28,214	2,775	(870)
Major Repairs Reserve	(13,491)	(4,567)	0	(8,924)
Capital Receipts	(15,037)	(20,433)	(2,501)	7,897
Government Grants	(2,400)	(2,557)	0	157
Borrowing	0	0	0	0
Revenue Contributions	(730)	(506)	(224)	0
S106 Contributions	(201)	(151)	(50)	0
Total Funding	(31,859)	(28,214)	(2,775)	(870)

14. There has been one major change to the Capital Programme since the provisional outturn was reported:
- (£87k) reversal of an accrual relating to the Finance and Resources System project.

Statement of Accounts

15. The Council's Statement of Accounts (Appendix E) is an essential means by which it accounts for its stewardship of the resources at its disposal and it presents financial performance in the use of those resources. The following paragraphs provide a summary of the key information contained within the accounts.

Comprehensive Income and Expenditure Statement

16. The Comprehensive Income and Expenditure Statement (CIES) is fundamental to understanding the Council's activities, in that it reports the net cost for the year of all functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
17. The CIES for the year reflects a net loss of £0.7m and consists of the following:
- Surplus on the Provision of Services of (£7.2m) (2011/12: loss of £371.2m); and
 - Other Comprehensive Expenditure of £7.9m (2011/12: £17.7m).

18. The change in the Deficit/(Surplus) on the Provision of Services of £378.4m between years is primarily due to the following changes within the Housing Revenue Account:

- £354m one-off charge in 2011/12 arising from the introduction of Housing Self Financing;
- £20m reduction in expenditure in 2012/13 due to the discontinuation of the negative subsidy payments to Central Government under the introduction of Housing Self Financing;
- £13.6m reduction as a result of a change in revaluation gains and losses between the two years;

Offset by:

- £11.5m increase in Interest Payable in 2012/13 arising from interest payments on the Housing Self Financing debt.

19. Other Comprehensive Income and Expenditure for the year was £7.9m and consists of:

- £1.6m net gain on the revaluation of property;

Offset by:

- £9.5m actuarial losses on the pension fund assets and liabilities.

These movements are subtotalled separately from the Provision of Services to reflect the fact that they result primarily from movements in market prices and indices outside the control of the Council.

Balance Sheet

20. The Balance Sheet is fundamental to understanding the Council's financial position at the year end. It shows the balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

21. The Council's net worth was £383.4m as at 31 March 2013, which represents a decrease of £0.7m on the previous financial year.

Movement in Reserves Statement

22. The Movement in Reserve Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and 'other reserves'.

Cash Flow Statement

23. The Cash Flow Statement shows the movements in cash and cash equivalents held by the Council throughout the year. The statement shows

how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Housing Revenue Account

24. The Housing Revenue Account (HRA) is 'ring-fenced' from the General Fund. This reflects the Council's statutory obligation to maintain a separate revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989.
25. The HRA statement shows a surplus of £9.3m for 2012/13. The HRA has now been operating within the new "Self Financing" regime for a year. The Council took on a £354m debt in exchange for the full control of the assets and resources. It manages the HRA through a 30 year business plan, which has allowed the Council to introduce a new build programme for the first time in 30 years.

Collection Fund

26. This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

Conclusion

27. This report represents a detailed picture of the Council's financial activity for 2012/13. I would like to thank all colleagues for their help, support and dedication in the preparation of the Statement of Accounts.