

POLICY, FINANCE AND ADMINISTRATION COMMITTEE

3 JULY 2012

REPORT OF HEAD OF CENTRAL SERVICES

STATEMENT OF ACCOUNTS 2011-12

1.0 THE PURPOSE OF THE REPORT

1.1 The purpose of this report is to submit the Statement of Accounts for 2011-12 for approval which have been prepared in accordance with the Audit Commission Act 1998 and the Accounts and Audit (England) Regulations 2011 and inform the Committee of the key issues within the accounts.

2.0 RECOMMENDATIONS

2.1 **It is recommended that:**

(a) The Statement of Accounts for 2011-12 be approved and signed by the Chairman.

3.0 BACKGROUND

3.1 The Accounts and Audit (England) Regulations 2011 (the Regulations) require a Statement of Accounts to be produced and approved by the appropriate committee. For the financial year 2011-12 this approval must be by 30 September 2012 although it is considered to be good practice to submit these as early as possible. It is still a requirement of the regulations that the accounts have to be signed off by the Section 151 Officer by 30 June 2012. The accounts must also be published by 30 September 2012 and are available for public inspection from 29 June to 26 July 2012.

3.2 The format of the accounts is largely governed by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) guidance notes produced for Local Authority Accounts by the Chartered Institute of Public Finance & Accountancy (CIPFA).

3.3 The Regulations require the person presiding at the committee at which the accounts are approved to sign and date the Statement of Accounts.

3.4 It should be noted that the accounts are still subject to audit and therefore amendments could be required as a result of the auditors' findings.

4.0 KEY ISSUES

4.1 The Statement of Accounts essentially shows the year end revenue and capital position in a prescribed format as required by the Code. A report considering the General Fund (GF) and Housing Revenue Account (HRA) position in comparison to the budget is discussed in more detail in a separate report on this committee's agenda. The provisional HRA year end position was also reported to a meeting of the Community & Social Affairs Committee on 20 June 2012. Key points to note in relation to the GF, the HRA, the Capital Programme and the Balance Sheet summarising the Council's assets and liabilities at the 31 March 2012 are set out in the following paragraphs.

4.2 GF & HRA REVENUE ACCOUNTS

4.2.1 The service classification within the Comprehensive Income and Expenditure Statement (shown on page 9 of the Statement of Accounts) is presented in line with

CIPFA's Best Value Accounting Code of Practice and is therefore not directly comparable with the format of the Council's budget. The segmental reporting requirements, however, do report on significant elements of the Council's budget.

- 4.2.2 The explanatory foreword provided at the beginning of the Statement of Accounts compares the final year end position against the original budget approved in February 2011. In summary the Council underspent its original General Expenses budget by a net £376k and underspent its original Special Expenses budget by a net £76k. When compared to the estimated year end position (spending forecast but not formally approved budget), as reported to Full Council on 1 February 2012, there is an underspend for General Expenses of £630k. For Special Expenses there is an underspend of £81k. Within the overall financial position there are a number of services that have underspent their budget resulting in the sum of £135k being proposed to be carried forward into 2012-13. When taking this into account the result is an underspend on General Expenses of £241k. There were no such carry forwards for Special Expenses. The reasons for the General Expenses and Special Expenses variances against budget are explained in a separate report on this committee's agenda.
- 4.2.3 There was also an underspend of £328k relating to the HRA when compared to both the original and the latest approved budget; the reasons for which were explained to the Community & Social Affairs Committee in a meeting held on 20 June 2012.
- 4.2.4 The effect of the overspend identified in paragraph 4.2.2 above is to increase the Corporate Priorities Reserve from £848k at 1 April 2011 to £1,215k at 31 March 2012. This also reflects savings on the capital programme of £197k where capital receipts were used to finance the programme instead of the reserve as agreed at a previous meeting of Full Council. The General Reserve for Special Expenses (MM) has increased from £68k to £178k in the same period. No contribution was budgeted for to finance the capital programme for Special Expenses. The HRA working balance in the same period has increased from £398k to £727k. As set out in the report elsewhere on the agenda there are a number of commitments made against these reserves in 2012-13.

4.4 CAPITAL PROGRAMME

- 4.4.1 Total capital expenditure for all funds amounted to £4,586k, which represents an underspend of £1,140k on the approved programme of £5,726k; of this underspend £1,134k has been carried forward into 2012-13. Included in these figures is expenditure relating to the new Council Offices in the sum of £2,863k, which represents an underspend of £90k on the approved programme of £2,953k and has been carried forward into 2012-13. Full details of the year end position relating to capital were reported to a meeting of this committee held on 17 April 2012.

4.5 BALANCE SHEET

- 4.5.1 Closer analysis of the Balance Sheet tells us, for example, the Council's position on reserves whether past capital expenditure is financed or subject to borrowing arrangements, explains whether money owed to the Council exceeds money owed by it and explains what resources the Council has to invest. However, it should be noted that the figures shown in the Balance Sheet are a snapshot taken on one day i.e. 31 March 2012.

Reserves

- a) The balance on the Corporate Priorities Reserve has increased from £848k at 1 April 2011 to £1,215k at 31 March 2012. The balance on the General Reserve for Special Expenses (MM) for the same period has increased from £68k to £110k. For Special Expenses (MM) the working balance has increased from £49k to £50k back to its approved level as approved by Full Council on 1 February 2012.

For General Expenses the working balance has remained at £640k. The level of reserves will be adjusted in 2012-13 in order to reflect the carry forward of both capital and revenue budget over/underspends from 2011-12 and the estimated position on the reserves is covered in a separate report on this committee's agenda.

- b) The working balance on the HRA has increased from £398k at 1 April 2011 to £727k at 31 March 2012. This is now in excess of the minimum level of £500k for 2012-13 as recommended in the Council's Medium Term Financial Strategy (MTFS).
- c) The balance on the Pensions Reserve shows an excess of liabilities over assets of £11.804m. This is a significant increase on the liability of £8.519m at 31 March 2011. This is principally because financial assumptions at 31 March 2012 are less favourable than they were at 31 March 2011. The value of the liabilities have also increased and had a negative impact on the position. In terms of the fund assets the previous 12 months have been worse than expected for most (but not all) funds, also resulting in the negative impact on the position. This deficit on the Local Government pension scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary. These are notional figures only as the accounts for pensions are held by the County Council. It does, however, give an indication of the underlying commitments that the Council has in the long-term to pay retirement benefits.

Capital Accounts

- a) An analysis of the Balance Sheet allows us to determine whether the actual amount of borrowing during the year for capital purposes is significantly different from the Capital Financing Requirement (CFR). The CFR represents the amount of borrowing required to fund capital expenditure after utilising all other funds available e.g. capital receipts, capital grants, capital and revenue contributions, etc. The following table indicates that the Council's actual borrowing was within the level of the CFR:

Analysis of Balance Sheet	31-Mar-12 £'000	31-Mar-11 £'000
Fixed Assets	82,471	87,586
Less Financing to date	-50,376	-77,992
CFR (Borrowing Requirement)	32,095	9,594
Less Long Term Borrowing	-31,982	-7,125
Under Borrowing	113	2,469

- b) The net borrowing at the balance sheet date should not exceed the CFR, and at the 31 March 2012 was below that figure due to a small amount of internal borrowing. The Council has, as a result of the large capital receipt, repaid its General Fund debt and reduced its General Fund CFR, and in order to take advantage of the low, beneficial, rates on long term borrowing the Council has moved from its policy of internal borrowing to take on new and transfer the existing debt for the HRA self financing settlement.

Debtors and Creditors

- a) The following table illustrates that there is an excess of debtors at 31 March 2012 (money owed to the Council) over creditors (money owed by the Council) although not significant. For a healthy cash flow position the ideal scenario would be for the Balance Sheet to show an excess of creditors over debtors. This therefore shows a reduction in performance over the previous year. However, as mentioned above, the figures shown in the Balance Sheet are a snapshot at 31st March. It can be more useful to make comparisons over time hence the previous year's figures shown. The main reasons for the change in the reduction in both the short term creditors figure and the short term debtors figure is explained below:

- There is a payment due to the Government of £162k in respect of business rates. This compares to the previous year when the Council owed the Government £593k in respect of business rates thereby reducing the debtors balance by £755k. This is due to the difference between the estimated amount of rates to be collected which was calculated in January 2012 and the actual amount of rates due for the year. On account payments are made during the year based on estimates of payments due to the Government's business rates pool and consequently differences will arise.
- There is an increase in the Collection Fund debtors relating to the major preceptors of £312k as a result of the deficit on the Collection Fund due to a higher level of arrears. This mirrors a national trend and Melton's collection levels in this area are still robust.
- The figures for central government benefits grant subsidies has seen a shift from the Council owing the Government £112k at 31 March 2011 to the Government owing the Council £94k at 31 March 2011.
- There is a general reduction in the figure for sundry creditors of £837k. There are a large number of transactions that make up these figures.

Analysis of Balance Sheet	31-Mar-12 £'000	31-Mar-11 £'000
Creditors	2,637	3,401
Less:		
Stocks and Work in Progress	0	0
Long Term Debtors	0	0
Short Term Debtors	2,963	3,373
Excess of Debtors over Creditors (-)	-326	28

Cash Resources

- a) The following table shows that where there have been cash resources available that these have been invested either internally or externally in order to both maximise the Council's income from interest receipts or reduce interest paid. The previous year has been included for comparison purposes.

Analysis of Balance Sheet	31-Mar-12 £'000	31-Mar-11 £'000
Cash Resources:		
- Useable Capital Receipts & Contributions	10,133	1,921
- Earmarked Reserves	2,693	2,347
- Balances	1,418	1,088
Funds Available for Investment	14,244	5,356
Excess of Creditors over Debtors	-326	28
Resources / Cash Available for Investment	13,918	5,384
Cash & Cash Equivalents	-14,505	-3,049
Excess (-) / Deficit of Investments over Resources	-587	2,335

The level of cash resources has increased as a result of the large capital receipt from the sale of land and good cashflow management. This has allowed the Council, at the Balance Sheet date, to maximise its funds available.

5.0 **POLICY AND CORPORATE IMPLICATIONS**

5.1 The Statement of Accounts is a corporate document. The Statement of Accounts (subject to audit) has been advertised as available for public inspection and the auditors available to answer questions. Following the completion of the audit the audited accounts will be advertised on the Council's website and be available for purchase.

6.0 **FINANCIAL & OTHER RESOURCE IMPLICATIONS**

6.1 There are no further financial and resource implications other than those identified above.

7.0 **LEGAL IMPLICATIONS/POWERS**

7.1 As set out above the requirements covering the arrangements for the production, approval and publication of the Statement of Accounts is governed by the Accounts and Audit (England) Regulations 2011 as amended.

8.0 **COMMUNITY SAFETY**

8.1 There are no direct community issues arising from this report.

9.0 **EQUALITIES**

9.1 There are no direct equality issues arising from this report.

10.0 **RISKS**

10.1 There is a risk that the accounts will not be signed off by the auditors as a result of errors; however, every effort has been made to ensure the accuracy of the Statements.

11.0 **CLIMATE CHANGE**

11.1 There are no climate change issues arising from this report.

12.0 **CONSULTATION**

12.1 The Council's external auditors have been consulted in preparing the Statement of Accounts.

12.2 The public are provided with an opportunity to question the auditor on the accounts (see also paragraph 5.1).

13.0 **WARDS AFFECTED**

13.1 All wards are indirectly affected.

Contact Officer: David Cowl, Chief Accountant

Date: 22 June 2012

Appendices: Appendix A - Statement of Accounts 2011-12

Background Papers: Final Accounts Working Papers
CIPFA Code
CIPFA Disclosure Checklist

Reference: X: C'tees, Council & Sub-C'tees/PFA/2012-13/3-07-12/DG-Statement of Accounts