

**POLICY, FINANCE AND ADMINISTRATION COMMITTEE****1 JULY 2014****REPORT OF HEAD OF CENTRAL SERVICES****STATEMENT OF ACCOUNTS 2013-14****1.0 THE PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to submit the Statement of Accounts for 2013-14 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 2013-14 be noted.**

**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 2013-14 this approval must be by 30 September 2014 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 2014. The accounts must also be published by 30 September 2014 and are available for public inspection from 18 July to 15 August 2014.
- 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 Governance committee at which the accounts are approved in September 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 18 June 2014. 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 2014 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 2013. In summary the Council underspent its original General Expenses budget by a net £329k, and underspent its original Special Expenses budget by a net £54k. When compared to the estimated year end position (spending forecast but not formally approved budget), as reported to Full Council on 5 February 2014, there is an underspend for General Expenses of £515k. For Special Expenses there is an underspend of £91k. Within the overall financial position there are a number of services that have underspent their budget resulting in the sum of £146k being proposed to be carried forward into 2014-15. In addition it is recommended in another report to this committee that an earmarked reserve of £255k is set up to mitigate the deficit arising on the collection fund account following the new Business Rates Retention Scheme. When taking these into account the result is an overspend on General Expenses of £72k. There were no 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 £71k relating to the HRA when compared to the original estimate and the latest approved budget; the reasons for which were explained to the Community & Social Affairs Committee in a meeting held on 18 June 2014.
- 4.2.4 The effect of the underspend identified in paragraph 4.2.2 above is to increase the Corporate Priorities Reserve from £1,534k at 1 April 2013 to £1,591k at 31 March 2014. The General Reserve for Special Expenses (MM) has increased from £278k to £379k in the same period. This also reflects the transfer of the cemetery drains reserve into the General Reserve for Special Expenses (MM). The HRA working balance in the same period has increased from £1,037k to £1,333k. As set out in the report elsewhere on the agenda there are a number of commitments made against these reserves in 2014-15.

#### 4.3 CAPITAL PROGRAMME

- 4.3.1 Total capital expenditure for all funds amounted to £3,553k, which represents an underspend of £2,387k on the approved programme of £5,940k; of this underspend £2,437k has been carried forward into 2014-15, whilst this is the net total underspend the following 2 schemes did overspend, resulting in the higher carried forward figure; Waterfield Leisure Centre £33k overspend and the capitalisation of Housing inspector costs £36k overspend. Full details of the year end position relating to capital were reported to a meeting of this committee held on 16 April 2014.

#### 4.4 BALANCE SHEET

- 4.4.1 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 2014.

#### Reserves

- a) The balance on the Corporate Priorities Reserve has increased from £1,534k at 1 April 2013 to £1,591k at 31 March 2014. The balance on the General Reserve for Special Expenses (MM) for the same period has increased from £278k to £379k. For Special Expenses (MM) the working balance has remained at £50k being its approved level as approved by Full Council on 5 February 2014. For General Expenses the working

balance has remained at £820k as approved by the same meeting. The level of reserves will be adjusted in 2014-15 in order to reflect the carry forward of both capital and revenue budget over/underspends from 2013-14 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 £1,037k at 1 April 2013 to £1,333k at 31 March 2014. This is in excess of the minimum level of £750k for 2014-15 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 £17.792m. This is a significant increase on the liability of £14.349m at 31 March 2013. This is principally because financial assumptions at 31 March 2014 are less favourable than they were at 31 March 2013. 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:

<b>Analysis of Balance Sheet</b>	<b>31-Mar-14 £'000</b>	<b>31-Mar-13 £'000</b>
Fixed Assets	84,802	83,795
Less Financing to date	-52,763	-51,729
CFR (Borrowing Requirement)	32,039	32,066
Less Long Term Borrowing	-31,982	-31,982
Under Borrowing	57	84

- b) The net borrowing at the balance sheet date should not exceed the CFR, and at the 31 March 2014 was below that figure due to a small amount of internal borrowing. The Council, as a result of a large capital receipt, repaid its General Fund debt and reduced its General Fund CFR, with no new borrowing taken out in the year.

### **Debtors and Creditors**

- a) The table below illustrates that there is a continued but reduced excess of debtors at 31 March 2014 (money owed to the Council) over creditors (money owed by the Council). 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 slight increase in performance over the previous year. However, as mentioned above, the figures shown in the Balance Sheet are a snapshot at 31<sup>st</sup> 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:

- At 31 March 2013 there was a payment due from the Government of £807k in respect of business rates. During 2013/14 the new Business Rate Retention Scheme began and a number of new debtors and creditors were set up as part of the year end balancing. These new accounts give a net debtor balance of £366k which includes the new NNDR preceptors of the County, the Fire and the Pool as well as the Government. The Government's portion being £212k.

- There have been two new provisions set up in the year, they are based on the considered realistic estimation of the Council's loss in regard to a fraudulent payment, and the Council's share of outstanding business rates appeals. These totalled £259k.
- There is a general increase in the figure for capital creditors of £338k and an increase in the sundry debtors of £372k. There are a large number of transactions that make up these figures.
- The VAT debtor increased by £137k compared to the previous year, this is due to the reduced amount of invoices processed during February as the testing for the new Oracle system was taking place with a much higher amount of invoices processed during March. In addition the VAT on the fraudulent invoice paid can not be reclaimed and so remains on the debtor balance.

<b>Analysis of Balance Sheet</b>	<b>31-Mar-14 £'000</b>	<b>31-Mar-13 £'000</b>
Creditors & Provisions	3,890	3,182
Less:		
Stocks and Work in Progress	0	0
Long Term Debtors	0	0
Short Term Debtors	4,676	4,324
Excess of Debtors over Creditors (-)	-786	-1,142

### **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.

<b>Analysis of Balance Sheet</b>	<b>31-Mar-14 £'000</b>	<b>31-Mar-13 £'000</b>
Cash Resources:		
- Useable Capital Receipts & Contributions	6,823	7,594
- Earmarked Reserves	6,502	4,754
- Balances	2,206	1,909
Funds Available for Investment	15,531	14,257
Excess of Debtors over Creditors	-786	-1,142
Resources / Cash Available for Investment	14,745	13,115
Cash & Cash Equivalents	14,927	13,480
Excess (-) / Deficit of Investments over Resources	-182	-365

The Council is continuing, at the Balance Sheet date, to maximise its funds available.

## **4.5 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

At this stage the Comprehensive Income & Expenditure Statement contains a figure of £5,069 within an Exceptional Item line. This figure is due to an unexpected imbalance on this account. Investigations into the cause will continue.

## **5.0 POLICY AND CORPORATE IMPLICATIONS**

5.1 The Statement of Accounts is a corporate document. The Statement of Accounts (subject to audit) will be 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: Carol King

Date: 23 June 2014

Appendices: Appendix A - Statement of Accounts 2013-14

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

Reference: X: C'tees, Council & Sub-C'tees/PFA/2014-15/1-07-14/DG-Statement of Accounts