

**POLICY, FINANCE AND ADMINISTRATION COMMITTEE**

**10 JULY 2013**

**REPORT OF HEAD OF CENTRAL SERVICES**

**STATEMENT OF ACCOUNTS 2012-13**

**1.0 THE PURPOSE OF THE REPORT**

1.1 The purpose of this report is to submit the Statement of Accounts for 2012-13 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 2012-13 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 2012-13 this approval must be by 30 September 2013 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 2013. The accounts must also be published by 30 September 2013 and are available for public inspection from 13 June to 31 July 2013.

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 19 June 2013. 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 2013 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 2012. In summary the Council underspent its original General Expenses budget by a net £537k, £180k of which was used to increase the working balance, and underspent its original Special Expenses budget by a net £67k. When compared to the estimated year end position (spending forecast but not formally approved budget), as reported to Full Council on 6 February 2013, there is an underspend for General Expenses of £507k. For Special Expenses there is an underspend of £67k. Within the overall financial position there are a number of services that have underspent their budget resulting in the sum of £243k being proposed to be carried forward into 2013-14. When taking this into account the result is an underspend on General Expenses of £295k. 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 £159k relating to the HRA when compared to the original estimate and an underspend of £196k when compared to the the latest approved budget; the reasons for which were explained to the Community & Social Affairs Committee in a meeting held on 19 June 2013.
- 4.2.4 The effect of the underspend identified in paragraph 4.2.2 above is to increase the Corporate Priorities Reserve from £1,215k at 1 April 2012 to £1,534k at 31 March 2013. This also reflects a minor saving on the capital programme of £5k which has been carried forward to 2013/14. The General Reserve for Special Expenses (MM) has increased from £178k to £278k in the same period. This also reflects a saving in the capital programme for Special Expenses of £39k which has also been carried forward into 2013/14. The HRA working balance in the same period has increased from £727k to £1,037k. As set out in the report elsewhere on the agenda there are a number of commitments made against these reserves in 2013-14.

#### 4.3 CAPITAL PROGRAMME

- 4.3.1 Total capital expenditure for all funds amounted to £4,527k, which represents an underspend of £3,383k on the approved programme of £7,910k; of this underspend £3,061k has been carried forward into 2013-14. Included in these figures is expenditure relating to the refurbishment of Waterfield Leisure Centre (WLC) in the sum of £2,459k, which represents an overspend of £31k on the approved programme of £2,428k. This has been partly funded by an underspend of £26k on the WLC project management, consultation and investigation project. Full details of the year end position relating to capital were reported to a meeting of this committee held on 10 April 2013.

#### 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 2013.

##### Reserves

- a) The balance on the Corporate Priorities Reserve has increased from £1,215k at 1 April 2012 to £1,534k at 31 March 2013. The balance on the General Reserve for Special Expenses (MM) for the same period has increased from £178k to £278k. For Special

Expenses (MM) the working balance has increased from £49k to £50k back to its approved level as approved by Full Council on 6 February 2013. For General Expenses the working balance has increased from £640k to £820k as approved by the same meeting. The level of reserves will be adjusted in 2013-14 in order to reflect the carry forward of both capital and revenue budget over/underspends from 2012-13 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 £727k at 1 April 2012 to £1,037k at 31 March 2013. This is now in excess of the minimum level of £750k for 2013-14 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 £14.349m. This is a significant increase on the liability of £11.804m at 31 March 2012. This is principally because financial assumptions at 31 March 2013 are less favourable than they were at 31 March 2012. 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:

<b>Analysis of Balance Sheet</b>	<b>31-Mar-13 £'000</b>	<b>31-Mar-12 £'000</b>
Fixed Assets	83,795	82,466
Less Financing to date	-51,729	-50,371
CFR (Borrowing Requirement)	32,066	32,095
Less Long Term Borrowing	-31,982	-31,982
Under Borrowing	84	113

- b) The net borrowing at the balance sheet date should not exceed the CFR, and at the 31 March 2013 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 following table illustrates that there is an excess of debtors at 31 March 2013 (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 reduction 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:

- There is a payment due from the Government of £807k in respect of business rates. This compares to the previous year when the Council owed the Government £162k in respect of business rates thereby increasing the debtors balance by £969k. 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, with the main differences relating to the change in Rateable Values over the period, large amounts of write-offs in the year, legislative changes to small business rates relief and an increase in mandatory reliefs. 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 LCC Collection fund debtor of £256k relating to the County being the major preceptor of the Collection Fund and its deficit 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 to the Council owing the Government £232k at 31 March 2013 from the Government owing the Council £96k at 31 March 2012.
- There is a general increase in the figure for sundry creditors of £366k and an increase in the sundry debtors of £376k. There are a large number of transactions that make up these figures.

<b>Analysis of Balance Sheet</b>	<b>31-Mar-13 £'000</b>	<b>31-Mar-12 £'000</b>
Creditors	3,183	2,637
Less:		
Stocks and Work in Progress	0	0
Long Term Debtors	0	0
Short Term Debtors	4,325	2,963
Excess of Debtors over Creditors (-)	-1,142	-326

### **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-13 £'000</b>	<b>31-Mar-12 £'000</b>
Cash Resources:		
- Useable Capital Receipts & Contributions	7,594	10,133
- Earmarked Reserves	4,754	2,693
- Balances	1,909	1,418
Funds Available for Investment	14,257	14,244
Excess of Debtors over Creditors	-1,142	-326
Resources / Cash Available for Investment	13,115	13,918
Cash & Cash Equivalents	13,480	-14,505
Excess (-) / Deficit of Investments over Resources	-365	-587

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 £6,561 within the "Other Operating Expenditure" line. This figure is due to an unexpected imbalance on this account. It is anticipated that further and continuing investigation, possibly during the audit of the accounts, will reveal the cause of this imbalance.

#### **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.

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Date: 2013

Appendices: Appendix A - Statement of Accounts 2012-13

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

Reference: X: C'tees, Council & Sub-C'tees/PFA/2013-14/10-07-13/DG-Statement of Accounts