

AUDIT COMMITTEE	AGENDA NO. 10
30 JUNE 2014	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	John Harrison, Executive Director - Resources Steven Pilsworth, Head of Strategic Finance	Tel. 452398 Tel. 384564

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

R E C O M M E N D A T I O N S	
FROM : Executive Director - Resources	Deadline date : 30 June 2014; <i>statutory deadline for approving Accounts</i>
1. For members to review and comment on the Statement of Accounts prior to the Chief Finance Officer's certification by the 30 June 2014.	

1. ORIGIN OF REPORT

This report forms part of the regular pattern of reporting on the Council's financial position.

2. PURPOSE AND REASON FOR REPORT

- 2.1. The Council must consider and approve its Accounts at a meeting of either the full Council or a Committee of the Council. This is a requirement of the Accounts & Audit Regulations 2011. The Council's Constitution delegates this matter to the Audit Committee.
- 2.2. This is in accordance with the Committees Terms of Reference – 2.2.1.18 to review the annual statement of accounts.
- 2.3. The Accounts must be signed and certified by 30 June 2014 by the Council's Section 151 officer (Executive Director Strategic Resources), in accordance with the Accounts and Audit Regulations 2011.
- 2.4. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly the financial position of the Council at 31 March 2014.
- 2.5. The Audit Committee is required to approve the Accounts no later than 30 September 2014 following, and in the knowledge of, the audit findings.
- 2.6. Whilst under the new regulations the Council's Audit Committee is no longer required to approve the accounts prior to audit, the Council considers it is good practice for members to review and comment on the accounts prior to the Chief Financial Officer's (CFO) certification. The Finance team will continue to review the accounts after Committee agenda despatch, working towards the CFO certification and the start of the audit. If any substantial changes are needed to the Accounts, then an update will be provided to Committee at the meeting.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	Not applicable
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4. KEY POINTS

- 4.1. The 2013/14 Statement of Accounts is the fourth set of accounts the Council has produced under International Financial Reporting Standards (IFRS), and there has been relatively few developments in accounting treatment for 2013/14.

Format of the Accounts

- 4.2. The Accounts for 2013/14 conform with CIPFA's (Chartered Institute of Public Finance & Accountancy) Service Reporting Code of Practice for Local Authority Accounts and the Code of Practice on Local Authority Accounting (the Code). The individual financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of the Council.

- 4.3. The key contents of the various sections are as follows:

- *Explanatory Foreword* - provides an understandable guide to the most significant matters reported in the accounts.
- *Statement of Responsibilities* – sets out the responsibilities of the Council and the chief financial officer in respect of the Statement of Accounts
- *Comprehensive Income and Expenditure Statement* – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation
- *Movement in Reserves Statement* – this statement shows the movement in the year on the different reserves held by the Council
- *Balance Sheet* – shows the value of the assets and liabilities recognised by the Council as at 31 March 2014
- *Cash Flow Statement* – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2013/14
- *Notes to the Financial Statements* - the various statements are supported by technical *Notes* and by the *Statement of Accounting Policies*
- *The Collection Fund & Notes* – shows the transactions of the Council in relation to Council Tax and National Non-Domestic Rates
- *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council
- *Annual Governance Statement* – identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded. This statement is an item on this meetings agenda and therefore subject to change, consequently it will be included in the audited accounts, published by 30 September, following its approval.

Comprehensive Income and Expenditure Statement

- 4.4. This statement shows the Council's activities and summaries the resources generated, consumed or set aside. It is presented in accordance with the Service Reporting Code of Practice (SeRCOP) to enable comparability between other local authorities and not the Council's organisational structure.

Balance Sheet at 31 March 2014

- 4.5. The Statement of Accounts includes a Balance Sheet that sets out the net worth of the Council at 31st March 2014 with the comparative figures for 31st March 2013. The Balance Sheet shows the assets and liabilities of the Council which are matched by the reserves held by the Council. The following paragraphs give a high level indication of the reason for movements between years.
- 4.6. Long Term Assets have moved by £15m, the majority of this movement is the increase in Assets under Construction and a small increase in Other Land and Buildings.
- 4.7. Long Term Creditors is the movement in the Pensions Liability which has increased by £7.9m. This is mainly because of the more unfavourable financial assumptions on 31 March 2014 compared to those at 31 March 2013 used by the actuaries in estimating the liabilities.
- 4.8. Long Term Borrowing has increased by £39m which is the increase in borrowing undertaken to support the Council's capital programme.
- 4.9. The Total Reserves, which balance the Total Net Assets have moved by £36.7m. The largest movement is in Unusable Reserves which contains the Capital Adjustment Account. The Capital Adjustment Account, which has decreased by £31.6m, reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. Charges such as depreciation and impairment were greater than the capital receipts and grants income for the year. Capital expenditure on schools and Academies have not increased the value of the balance sheet by the equivalent amount invested in the developments at these sites

Reserves and Balances (Note 16 & 17)

- 4.10. As reported to Council in March 2014, the Executive Director Resources is charged with considering the level of Reserves and Balances required by the Council and making recommendations as to the adequacy of the amounts held. The closing balance for the General Fund for 2013/14 remains at £6.0m which is consistent with MTFs.
- 4.11. The Earmarked Reserves are detailed in Note 17 and show the movements during the year and the balances at 31st March 2014. The Outturn report gives an overview of expected movements in 2014/15 and projected final year end balances at 31st March 2015.

Schools

- 4.12. Details on Schools Balances are shown in Note 16 to the Core Financial Statements in the Accounts. This shows that there was a net increase in School Balances during 2013/14 of £0.3m from £6.3m to £6.6m.

Audit Fee

- 4.13. The Audit Commission published audit fees for the Council of £143.6k for 2012/13 and 2013/14. The fees of £164k shown in this note includes extra work undertaken by PwC as part of their audit service. In 2012/13 this included the work discussed with the Audit Committee on the Invest to Save Scheme, additional work on the new Adult Social Care system and the new Fixed Assets Register. During the 2013/14 audit there will be additional work on the changes in the Council Tax Support scheme and localisation of Business Rates along with elector's questions.

Collection Fund

There were two changes to the Collection Fund in 2013/14:

- 4.14. The Government localised the support for Council Tax. From 1st April 2013 the Council introduced the Council Tax Support Scheme which is a locally devised scheme. During 2013/14, Council Tax collection rates had an in year final collection rate of 95.26%.
- 4.15. Business Rates were previously collected and paid to Central Government, from which the Council received a share of the national pool. The localisation of business rates was introduced on the 1st April and the Council now retains 49% of locally collected rates. The Collection Fund statement shows the amounts received for Business Rates and the distributions between the participants of our local scheme.

Next Steps - approval, signing, inspection and audit

- 4.16. The revised Accounts and Audit Regulations 2011, include the following for the approval and publication of the annual accounts:
 - the responsible financial officer must certify the presentation of the annual accounts no later than the 30 June
 - the annual accounts must be published with the audit opinion and certificate, and before that must have been approved by members no later than 30 September
 - the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given
- 4.17. The Council considers it is good practice for members to review and comment on the accounts prior to the Chief Finance Officer's certification. The Finance team will continue to review the accounts after Committee agenda despatch, working towards the CFO certification and the start of the audit. If any substantial changes are needed to the Accounts, then an update will be provided to Committee at this meeting.
- 4.18. The Auditor will decide the date from which they will receive questions on and objections to the Accounts. The Accounts will be placed on deposit for public inspection for not less than 20 working days before the date set by the Auditor (Regulation 14).
- 4.19. At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2013/14. This will be considered at the Audit Committee meeting on 22 September 2014.

5. CONSULTATION

No external consultation has been undertaken.

6. ANTICIPATED OUTCOMES

As set out in the report.

7. REASONS FOR RECOMMENDATIONS

The Accounts and Audit Regulations 2011 require that the Statements of Accounts be prepared to include the statements set out in Regulation 7 and that the signing and approval of the Accounts be undertaken as set out at Regulation 13 of those regulations. Approval of the Accounts is a non-executive function.

8. ALTERNATIVE OPTIONS CONSIDERED

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code) and hence alternative options are limited.

9. IMPLICATIONS

There are no Human Resource issues arising directly from the recommendations in this report.

10. BACKGROUND DOCUMENTS

- Budgetary control reports through 2013/14
- Council March 2014: Medium Term Financial Strategy
- The Accounts and Audit Regulations (England) 2011, Statutory Instrument

11. Appendices

Appendix 1: Statement of Accounts 2013/14

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