

**Meeting:**           **Audit Committee/Statement of  
Accounts Committee**

**Agenda Item: 3**

Portfolio Area:    Resources

**Date:**             **25 September 2013**

Author - Clare Fletcher/Paul Winrow      Ext No. 2933

Contributors – Terry Blackman/Anita Thomas

Lead Officer - Clare Fletcher               Ext No. 2933

Contact Officer – Anita Thomas            Ext No. 2430

## **1      PURPOSE**

- 1.1**    To present the External Auditor's Annual Report for consideration and approval and the audited 2012/13 Financial Report including the Statement of Accounts.

## **2      RECOMMENDATIONS**

- 2.1**    That the Annual Report to those charged with Governance for 2012/13 be approved (Appendix A).
- 2.2**    That the Council's Letter of Representation be approved (Appendix B).
- 2.3**    That the Financial Report including the Statement of Accounts 2012/13 be approved (Appendix C).
- 2.4**    To note the new accounting policies published in the Statement of Accounts (Appendix D)

## **3      BACKGROUND**

- 3.1**    This report is presented to the Audit Committee in its capacity as the body charged with Governance. The Auditor's report (Appendix A) has been produced by the Council's External Auditors Grant Thornton. At the time the Auditor's report was written there were no outstanding items in relation to the Financial Report or Statement of Accounts.
- 3.2**    This is the third year the council has been required to publish accounts compliant with International Financial Reporting Standards (IFRS).
- 3.4**    As a result of the changes to the Accounts and Audit regulations this committee no longer receives and approves a draft set of accounts by the 30 June. The revised requirement under these regulations is for the Audit Committee and

Council, (or a Committee delegated this function by Council), to consider and approve the accounts before 30<sup>th</sup> September after they have been audited.

- 3.5** As a result of the changes to the Account and Audit Regulations, a 2012/13 4<sup>th</sup> Quarter outturn position for the General Fund and the Housing Revenue Account was presented to the Executive on 23 July 2013. That report showed that the General Fund had an under spend of £322,014 of which £155,650 related to carry forward requests. The HRA had an increase in surplus of £586,511 of which £304,020 related to carry forwards. Following the external audit the outturn positions for the General Fund and HRA remains unchanged.
- 3.6** Members were offered training prior to this committee to aid their understanding of the Statement of Accounts and the implications of any changes incorporated into the 2012/13 accounts.
- 3.8** The Council is required to send to the Council's External Auditors a Letter of Representation (Appendix B).

## **4 REASONS FOR RECOMMENDED COURSE OF ACTIONS AND OTHER OPTIONS**

### **4.1 Statement of Accounts**

- 4.1.1** The 2012/13 Financial Report including the Statement of Accounts is Appendix C to this report.

### **4.2 Balance Sheet**

- 4.2.1** The Council's Balance Sheet as at the 31 March 2013 showed total reserves of £316.8 Million, a decrease of £4.2 Million over the Balance Sheet as at 31 March 2012. The decrease in the Council's net worth can be assessed by reviewing the Useable and Non Useable Reserves.

#### **4.2.2 Useable Reserves**

- 4.2.3** Useable reserves are cash reserves that are available for the Council to spend on revenue and/or capital. The Council's useable reserves increased by £6.329Million to £19.697Million as at 31 March 2013. The major increase was seen in reserves available to fund capital expenditure which increased by £3.724Million due to:

- Council's retained share of Right to Buy receipts were £2.496Million.
- The Major Repairs Reserve which is available to fund HRA capital schemes increased by £1.736Million.

There was also an increase in revenue reserves and the budgeted surplus on the HRA increased to £2.136Million, increasing the HRA balance.

4.2.4 Table one below details the movement in useable reserves.

**Table 1 Useable Reserves**

	<b>Balance at 31 March 2012</b>	<b>Increase/ (Decrease) in Year</b>	<b>Balance at 31 March 2013</b>
<b>Revenue Reserves:</b>			
General Fund Balance	3,802,023	292,786	4,094,809
Earmarked General Fund Reserves	1,212,716	175,477	1,388,193
Housing Revenue Account	5,765,712	2,136,711	7,902,423
<b>Total Revenue Reserves</b>	<b>10,780,451</b>	<b>2,604,974</b>	<b>13,385,426</b>
<b>Capital Reserves:</b>			
Major repairs reserve	65,767	1,736,664	1,802,431
Capital Receipts Reserve	5,253	2,462,676	2,467,930
Government Capital Grants Unapplied	2,516,410	(474,967)	2,041,443
<b>Total Capital Reserves</b>	<b>2,587,431</b>	<b>3,724,373</b>	<b>6,311,804</b>
<b>TOTAL REVENUE AND CAPITAL RESERVES</b>	<b>13,367,882</b>	<b>6,329,347</b>	<b>19,697,230</b>

*(income = )/ reduction in income = +)*

#### 4.2.5 Unuseable Reserves

4.2.6 Non useable or unuseable reserves are non cash reserves and include (but not exhaustive) the value of:

- Gains and losses from changes to the value of the Council's assets shown in the Revaluation Reserve.
- Timing differences between the purchase and use/or consumption of non-current assets (formerly known as fixed assets) shown in the Capital Adjustment Account.
- The calculated liability owed by the council at the Balance Sheet date for staff pensions shown in the Pension Reserve.
- The amount of money that would have to be paid to staff if all holiday entitlement due, but not taken was paid at the Balance Sheet date shown in the Accumulated Absences Account.
- The difference between the recognition of council tax income in the Income and Expenditure Statement as it falls due from council tax payers, compare with the statutory arrangement for paying across amounts to the General Fund from the Collection Fund, (completed at budget setting).

4.2.7 The Council's unuseable reserves decreased by £10.484Million to £297.137Million as at 31 March 2013. Included within unuseable reserves is the council's pension

reserve (deficit). The financial assumptions at 31 March 2013 has resulted in the pension deficit increasing by £8.645Million compared to 31 March 2012.

4.2.8 A summary of the movement in unusable reserves is shown in Table two below.

**Table 2 Unuseable Reserves**

	<b>Balance at 31 March 2012</b>	<b>Increase/ (Decrease) in Year</b>	<b>Balance at 31 March 2013</b>
<b>Unusable Reserves:</b>			
Revaluation Reserve	27,582,214	(173,614)	27,408,601
Capital Adjustment Account	329,332,041	(1,565,262)	327,766,779
Deferred capital receipt reserve	249,817	(20,188)	229,629
Pensions Reserve	(49,269,805)	(8,645,262)	(57,915,067)
Collection Fund Adjustment Account	64,650	4,710	69,360
Accumulated Absences Account	(337,840)	(85,018)	(422,858)
<b>Total Unusable Reserves:</b>	<b>307,621,079</b>	<b>(10,484,635)</b>	<b>297,136,444</b>

### 4.3 External Auditors Conclusions

4.3.1 As the Council's appointed Auditor, Grant Thornton is required to review and report on the Council's financial statements and provide a value for money conclusion which is shown in Appendix A.

4.2.2 At the time the time of writing the report, no objections were received by electors to the 2012/13 accounts.

4.2.3 There were no outstanding items at the time of writing the report.

4.2.3 There were no material misstatements found in the accounts as part of the audit. On page 16 of Appendix A, (Section 2 Audit Findings) Grant Thornton list the adjustments made as part of the audit. These were:

<p><b>Disclosure:</b> An adjustment was made to the <b>Movement in Reserves Statement</b> to correctly show "Other Comprehensive Income and Expenditure" under Unusable Reserves (consequentially <b>Notes 7 and 38</b> were amended) (points 1-5 on page 25)</p>
<p><b>Disclosure:</b> An addition to <b>Note 7</b> to show depreciation charged to the HRA and then reversed out of the Major Repairs Reserve (nil effect on reserves) (point 6 on page 25)</p>
<p><b>Disclosure:</b> Correction to <b>Note HRA 9</b> classification of capital expenditure in year (nil impact on total capital expenditure (point 7 on page 25)</p>
<p><b>Classification:</b> The Cultural, Environmental and Planning Services line in the Comprehensive Income and Expenditure Statement was expanded to show these three elements separately as required by the Service Reporting Code of Practice (SERCOP) (points 8-10 on page26)</p>
<p><b>Classification:</b> <b>Balance Sheet</b> adjustment for S106 contributions where conditions have yet to be met have - reclassified from Creditors to Grants Receipts in Advance (consequentially <b>Notes 23 and 33</b> were amended) (point 11 on page 26)</p>

4.2.4 There were no unadjusted misstatements.

4.2.5 As a result of the Audit there are no recommendations from Grant Thornton in relation to the Statement of Accounts. There may be recommendations as a result of the Finance Resilience Report to be presented to the November Audit Committee.

## **5 IMPLICATIONS**

### **5.1 Financial Implications**

The updated Accounts for 2012/13 are financial in nature. As this document is related, the financial implications are contained therein.

### **5.2 Legal Implications**

This report is presented in accordance with the Accounts and Audit Regulations 2011.

## **BACKGROUND PAPERS**

4<sup>th</sup> Quarter General Fund and HRA report 23<sup>rd</sup> July 2013 Executive

## **6.0 APPENDICES**

Appendix A - Annual Report to those Charged with Governance

Appendix B - Letter of Representation

Appendix C - Updated Statement of Accounts 2012/13

Appendix D – New accounting policies: Local Authority Mortgage Scheme and treatment of Events after the Balance Sheet Date.