

Report of:	Head of Finance
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Portfolio Leader:	Corporate Improvement
Key Decision:	No
Report Track:	Audit and Governance only

AUDIT AND GOVERNANCE COMMITTEE**24 SEPTEMBER 2013****STATEMENT OF ACCOUNTS 2012/13****1 Purpose of Report**

- 1.1 To present the audited Statement of Accounts for 2012/13 to the Audit and Governance Committee for approval.

2 Recommendations

- 2.1 That the audited Statement of Accounts for 2012/13 be approved.

3 Key Issues and Reasons for Recommendation

- 3.1 The Accounts and Audit Regulations 2011 require that the Council's Statement of Accounts be approved by the Audit and Governance Committee.

4 Relationship to Corporate Priorities

- 4.1 The financial statements are an important part of the Council's corporate governance arrangements, which cut across all corporate priorities.

5 Report Detail

- 5.1 Members of Audit and Governance Committee are required to approve the Council's audited Statement of Accounts for 2012/13 by 30th September 2013, in accordance with the Accounts and Audit Regulations 2011.
- 5.2 The Audit Findings report which summarises the results of our external auditors' work for the year is presented elsewhere on the agenda.
- 5.3 The purpose of the Council's published Statement of Accounts circulated as a **SEPARATE BOOKLET** is to give electors, those subject to locally levied taxes and charges, members of the Council, employees and other interested parties clear information about the Council's finances. It should answer such questions as:
- What did the Council's services cost?
 - Where did the money come from?
 - What were the Council's assets and liabilities at the year-end?
- 5.4 The Explanatory Foreword on pages 3 – 12 of the **SEPARATE BOOKLET** is presented as a foreword to the Statement of Accounts to fulfil a similar purpose to a directors' report in company accounts. It provides a guide for the reader of the accounts to the most significant aspects of the Council's financial performance, year-end financial position and cash flows.
- 5.5 The following comprise the key financial statements that are set out in the Statement of Accounts 2012/13:
- Movement in Reserves Statement
 - Comprehensive Income and Expenditure Statement
 - Balance Sheet
 - Cash Flow Statement
 - Housing Revenue Account
 - Collection Fund
- 5.6 **Movement in Reserves Statement (pages 15-16)**
- 5.6.1 The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves such as the Capital Adjustment Account and the Pensions Reserve. The (surplus)/deficit on the provision of services shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement on page 17 of the **SEPARATE BOOKLET**.
- 5.6.2 The Movement in Reserves Statement shows that the Council's total usable reserves increased from £17.115 million on 31 March 2012 to £20.189 million on 31 March 2013, an increase of £3.074 million. Usable reserves have increased

primarily due to the HRA subsidy no longer being payable as a result of the new HRA self financing regime together with a surplus on the General Fund.

5.7 **Comprehensive Income and Expenditure Statement (page 17)**

- 5.7.1 This statement shows the **accounting cost** in the year of providing services in accordance with generally accepted accounting practices, rather than the true cost of services to be funded from taxation. The Council raises Council Tax to cover expenditure in accordance with regulations; this may be different from the accounting cost.
- 5.7.2 Therefore, accounting costs which are properly recorded within the Comprehensive Income and Expenditure Statement (e.g. notional charges such as depreciation and adjustments to pensions costs required by International Financial Reporting Standards) are excluded from the Council's Final Accounts (as reported to the Cabinet on 25 July 2013) because the Final Accounts Portfolio spending only reports the amounts that are required to met from Council Tax. Regulation prohibits notional charges such as depreciation being met from Council Tax.
- 5.7.3 In practice this means that there is a difference of £5.06 million between the bottom line reported in Portfolio spending (£19.444 million) and the bottom line of the cost of services reported in the Comprehensive Income and Expenditure Statement (£14.384 million) which principally relates to the complex notional accounting adjustments required by International Financial Reporting Standards. Further details are provided in note 29 on pages 56 to 59 of the **SEPARATE BOOKLET**.
- 5.7.4 The Comprehensive Income and Expenditure Statement on page 17 reveals a reduction in the net cost of services year on year of £64.433 million (2012/13 £14.384 million and 2011/12 £78.817 million). This decrease primarily relates to the exceptional item recorded in the 2011/12 accounts, being the impact of the Government's HRA self financing settlement of £59.245 million, coupled with HRA subsidy no longer payable of £4.819 million.
- 5.7.5 Other Comprehensive Income and Expenditure Account transactions include a surplus (£0.588 million) on the revaluation of Plant, Property and Equipment assets as contained in the Balance Sheet together with actuarial losses (£7.961 million) on pension assets/liabilities. Both transactions relate to the Unusable Reserves classification of the accounts and hence have no overall impact upon the financial position of the Council.
- 5.7.6 Overall, a reduction in comprehensive income and expenditure of £56.9 million was recorded in 2012/13 (2012/13 £12.812 million and 2011/12 £69.712 million) reflecting in the exceptional item for HRA self financing in last year's accounts.

5.8 Balance Sheet (page 18)

5.8.1 The significant increase in the Council's share of the pension fund's liabilities is also the biggest change to report following the compilation of the Council's Balance Sheet. The effect of the actuary's less favourable valuation serves to increase the value of the Council's share of the pension fund's liabilities by £9.18 million and therefore has had a considerable negative impact on the Council's overall net worth. It should be noted that the pensions changes do not impact upon the financial position of the Council, since the deficit will be made good by increased contributions over the remaining working lives of employees.

5.9 Cash Flow Statement (page 19)

5.9.1 The Cash Flow Statement summarises flows of cash in and out of the Council's bank accounts. The change in the value of cash and cash equivalents year on year (£3.033 million) relates primarily to changes in investing and financing activities detailed in notes 27 and 28 on page 56

5.10 Housing Revenue Account (page 79)

5.10.1 The Housing Revenue Account outturn shows a surplus of £0.585 million in 2012/13 compared with a deficit of £0.293 million in 2011/12. The surplus resulted in housing working balances rising to £2.506 million as at 31 March 2013.

5.11 Collection Fund (page 84)

5.11.1 As a billing authority, the Council is required to provide the Collection Fund Income and Expenditure Account which summarises the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates.

5.11.2 The net position on the Collection Fund for the year was a deficit of £2.543 million which after taking account of previous years' accumulated surpluses of £0.818 million leaves a net deficit of £1.725 million. The deficit arises from a review of its Bad Debts Provision policy to reflect the current economic climate, rather than a change in collection rate. Cannock Chase's share of the deficit is around 14% or approximately £240,000.

5.11.3 This deficit will be taken into account within the Council Tax calculations for 2014/15.

6 Implications

6.1 Financial

None

6.2 Legal

None

6.3 Human Resources

None

6.4 Section 17 (Crime Prevention)

None

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

None

6.8 Equality & Diversity

None

6.9 Best Value

None

Previous Consideration – Nil

Background Papers - File available in Financial Services