

Audit Committee – 27th September 2012

6. 2011/12 Annual Statement of Accounts

Strategic Director: Mark Williams, Chief Executive
Assistant Director: Donna Parham (Finance and Corporate Services)
Service Manager: Amanda Card, Finance Manager
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1. Purpose of the Report

To present the 2011/12 Annual Statement of Accounts to the Audit Committee for approval.

2. Recommendations

- (a) To approve the 2011/12 Statement of Accounts. A copy of the Statement of Accounts has been circulated separately with this agenda;
- (b) To note the unqualified opinion on the financial statements;
- (c) To authorise that the Assistant Director (Finance and Corporate Services) sign the Letter or Representation.

3. Background

- 3.1 As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance. It is a statutory requirement for all local authorities to produce financial statements.
- 3.2 The Accounts and Audit Regulations (England) 2011 came into force on 1 April 2011. This revised procedures for the approval and publication of the annual Statement of Accounts. The Responsible Financial Officer must now confirm and sign that the accounts presents a true and fair view of the authority's financial position by 30th June of the following year and Members are required to formally approve the audited and amended annual Statement of Accounts by the 30th September of the following year. The Statement of Accounts must be approved and signed by the Chair of this committee. **Please contact Amanda Card before the meeting on 01935 462542 with any questions on the information presented.**
- 3.3 The Statement of Accounts for 2011/12 have been prepared following International Financial Reporting Standards (IFRS).
- 3.4 This report:
 - Outlines the key features of the 2011/12 revenue outturn position;
 - Summarises the 2011/12 capital outturn position;
 - Presents the 2011/12 Statement of Accounts and explains the key features and reasons for variations within those accounts.

- Explains the reasons why misstatements to the financial statements will not be adjusted.

4. Key Features of the 2011/12 Outturn Reports

4.1 Revenue Outturn

4.1.1 The figures that were presented to District Executive on 7th June 2012 represent the “Above the Line” budgets that are monitored by the Executive on a quarterly basis. Members of the Audit Committee will find that the figures presented to them in the Statement of Accounts differ from those reported to District Executive as they represent both “Above” and “Below the Line” as a total cost. The “Below the Line” figures are distinguished from the “Above the Line” costs as they are outside the control of the delegated budget holder, being capital charges and recharges from support services such as Human Resources, Legal and Financial Services.

4.1.2 The overall outturn for SSDC Services, excluding the LSP, in 2011/12 was £722,000 underspent. Outlined below is the summary of the figures presented to the District Executive on 7th June 2012;

Service	Original Budget £'000	Movement During the Year £'000	Outturn Budget £'000	Actual Spend £'000	Variation £'000	
SSDC Services	17,297,400	397,380	17,694,780	16,801,794	(892,986)	F
LSP	48,000	40,510	88,510	49,367	(39,143)	F
All Spend	17,345,400	437,890	17,783,290	16,851,161	(932,129)	F

(Note that all figures in brackets are underspends).

4.1.3 The comparative position over the last two years was 5.2% underspent in 2011/12 and 3.7% underspent in 2010/11.

4.2 Carry Forwards

4.2.1 The District Executive was asked to approve £479,520 of specific carry forwards to 2011/12. This includes £39,140 for the LSP and £458,380 for SSDC services.

4.3 Revenue Balances and Reserves

4.3.1 Unallocated general fund balances totalled £3,948,000 at the end of the 2011/12 financial year. Regular reviews of balances were carried out during 2011/12 and the required levels were met throughout the year. The review carried out in May 2012 has set a level of £3,717,000 for the 2012/13 year, an increase due to the risks of the economic downturn on the Medium Term Financial Plan, the raised risks within the banking sector, and possible greater litigation risks but as members can see the levels of balances are still sufficient for the new financial year.

4.3.2 Specific Reserves totalled £5,552,000 at the end of the financial year. These reserves are actual cash sums set-aside for specific purposes.

4.4 Capital Outturn Report

The capital programme spend for 2011/12 was £2,564,377, which equates to a 33.1% underspend. This compares to a 40.1% underspend in 2010/11.

5. Loans

5.1 SSDC has a loans policy where loans may be given at PWLB (Public Works Loans Board) rates to local voluntary and charitable organisations. The maximum outstanding sum of those loans must not exceed £1,000,000 at any time. At the end of 2011/12 the amount of loans outstanding under this policy was £292,839 (£406,876 in 2010/11).

6. Statement of Accounts

6.1 The District Auditor will review the annual Statement of Accounts and supporting working papers and will issue his opinion as to present a true and fair view of the state of South Somerset District Council's affairs as at 31 March 2012 and of income and expenditure for the year. It will also give the District Auditor's opinion as to whether the accounts have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

6.2 A copy of the Statement of Accounts has been circulated separately with this agenda. In addition to this, a summary of the statements will be prepared in leaflet format to make them more accessible to the end user.

7. Key Features from the Statement of Accounts

7.1 The Statement of Accounts contains four core statements reflecting the financial position of SSDC as at 31st March 2012. These are;

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement.

7.2 There are additional statements relating to the Collection Fund (which accounts for the collection and distribution of Council Tax and Business Rates).

7.3 It is a statutory requirement for all local authority financial statements to be IFRS compliant.

7.4 The Code of Practice on Local Authority Accounting 2011/12 introduced one key Accounting Policy which related to Heritage Assets.

7.4.1 A Heritage Asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The Council's Heritage Assets are predominately the museum stock that is held at the Community Heritage Access Centre. There is now a requirement to disclose Heritage Assets separately on the Balance Sheet where valuations are known.

7.4.2 There is no requirement for valuations for Heritage Assets to be verified by external valuers. Where the cost of obtaining valuation information is not

commensurate with the benefits, the Council will not recognise these assets in the Balance Sheet.

- 7.4.3 As a result of this new Accounting Policy, the 2010/11 statements have been restated.

8. The Comprehensive Income and Expenditure Statement

- 8.1 This account gives detailed information about the total expenditure on the services we provide. It also shows the council tax and government grants received to help pay for those services. The net operating expenditure figure is reconciled to the outturn spend position outlined to District Executive in the following way:

	£'000
Total Spend (as Paragraph 4.1.2)	16,851
Adjustments:	
Items subsequently reversed in the Statement of Movement in Reserves Statement – General Fund Balance (page 32 of the financial statements)	4,459
Items reported beneath the Net Cost of Services on the Comprehensive Income and Expenditure Statement	315
Net Cost of Services (taken from the Comprehensive Income and Expenditure Statement, page 33 of the financial statements)	21,625

- 8.2 The major year on year variations (over £1 million) and explanations for those variances are outlined below:

Services	Previous Year 2010/11 £'000	Current Year 2011/12 £'000	Variance £'000	Reason for Variance
Cultural and Related Services	4,838	3,734	1,104	2010/11 included impairment charges for Goldenstones and other play areas.
Highways and Transport	1,593	(219)	1,812	2010/11 included Concessionary fares which have since been transferred to Somerset County Council.
Exceptional Items of Income and Expenditure	(10,019)	0	10,019	In the 2010/11 budget, the coalition government announced that the pension increase order applied to pensions in payment will be linked to the Consumer Price Index rather than the Retail Price Index. This gave rise to a one-off exceptional item of income.

9. The Balance Sheet

- 9.1 The Balance Sheet provides the Council with a snapshot of our financial position overall as at the 31st March 2012. At 31 March 2012 the authority's net assets amounted to £30.54 million (£52.25 million at 31 March 2011).
- 9.2 The authority's net assets are significantly reduced by the inclusion of the pension scheme liability of £65.53 million (compared to £44.78 million at 31 March 2011). The present value of the pension scheme liability has increased to £128.67 million (from £108.25 million at 31 March 2011) and the fair value of the scheme assets have decreased to £63.15 million (£63.48 million at 31 March 2011).
- 9.3 In practice, the amount of net worth that can be used is £47.31 million (Usable Capital Receipts £37.30 million, Capital Grants Unapplied £0.29 million, Earmarked Reserves £5.55 million and Balances £4.17 million). The remaining - £16.77 million is held in technical reserves which are not available for use.
- 9.4 In addition, Members will note the Contingent liabilities disclosed in **note 49**. Contingent liabilities are possible future obligations; they are not accounted for within the balance sheet, as the obligation will only be confirmed if uncertain events happen in the future. Any claims would need to be funded from SSDC balances.

10. Cash Flow Statement

- 10.1 This statement outlines the changes in cash and cash equivalent of the authority during 2011/12.
- 10.2 There has been a net increase in cash and cash equivalents of £1.08m.
- 10.3 Cash Equivalents are short-term highly liquid investments that are readily convertible within 24 hours to known amounts of cash and which are subject to an insignificant risk of changes in value.

11. Collection Fund

- 11.1 The Collection Fund shows the total SSDC has collected on behalf of all of the precepting authorities (e.g. Somerset County Council, Avon & Somerset Police Authority, Devon & Somerset Fire & Rescue Authority and town/parish councils). It also shows the amounts distributed to those authorities. The major variations (over £1 million) are shown below:

Heading	Previous Year 2010/11 £'000	Current Year 2011/12 £'000	Variance £'000	Reason for Variance
Income Collectable from Business Ratepayers	(35,789)	(38,637)	(2,848)	The rate in the £ (or multiplier) set by the Government has increased.
Business Rates - Payment to National Pool	35,562	38,410	(2,848)	The increases mentioned above have been paid over to the National pool.

Note that figures in brackets in the first two columns represent income, and in the last column represent an increase in income or a reduction in expenditure.

12. Auditor's Opinion

12.1 An unqualified opinion has been issued on the financial statements.

13. Financial Implications

13.1 There are no financial implications associated with these recommendations.

Background Papers: *Revenue outturn 2011/12*
Capital outturn 2011/12
Accounting Policies 2011/12
