

Audit Committee – 26 September 2013

6. 2012/13 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 2012/13 Annual Statement of Accounts to the Audit Committee for approval.

2. Recommendations

- (a) To approve the 2012/13 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 and that a framework exists to demonstrate this. One of the principles is accountability and preparing and publishing the annual Statement of Accounts is one way that the Council achieves this objective.

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 sign the accounts as true and fair 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 needs to 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 2012/13 has been prepared following International Financial Reporting Standards (IFRS).

3.4 This report:

- Outlines the key features of the 2012/13 revenue outturn position;
- Summarises the 2012/13 capital outturn position;
- Presents the 2012/13 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 2012/13 Outturn Reports

4.1 Revenue Outturn

4.1.1 The figures that were presented to District Executive on 6th June 2013 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 in 2012/13 was £822,000 (4.8%) underspent. Outlined below is the summary of the figures presented to the District Executive on 6th June 2013;

	Original Budget	Movement During the Year	Outturn Budget	Actual Spend	Variation	
	£'000	£'000	£'000	£'000	£'000	
SSDC Services	16,577	562	17,139	16,317	(822)	F

(Note that all figures in brackets are underspends).

4.1.3 The comparative position over the last two years was 3.5% underspent in 2011/12 and 4.2% underspent in 2010/11. (This is after taking out the figures for Treasury Management and the Local Strategic Partnership to ease comparison).

4.2 Carry Forwards

4.2.1 The District Executive was asked to approve £338,920 of specific carry forwards to 2013/14.

4.3 Revenue Balances and Reserves

4.3.1 Unallocated general fund balances totalled £4,173,000 at the end of the 2012/13 financial year. Regular reviews of balances were carried out during 2012/13 and the required levels were met throughout the year. The review carried out in May 2013 has set a level of £3,156,000 for the 2013/14 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 £6,629,000 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 2012/13 was £3,077,000, which equates to a 40.1% underspend. This compares to a 40.1% underspend in 2011/12.

5. Loans

SDDC 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 £406,876.

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 whether they present fairly the financial position of South Somerset District Council at 31 March 2013 and its income and expenditure for the year then ended.

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 SDDC as at 31st March 2013. 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 deals with 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 did not introduce any further technical changes for 2012/13.

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 Reported to the District Executive	16,317
Adjustments:	
Amounts not reported to management but included on Costs of Services in Comprehensive Income and Expenditure Statement.	4,326
Net Cost of Services (taken from the Comprehensive Income and Expenditure Statement, page 28 of the financial statements)	20,487

- 8.2 The major year on year variations (over £0.5 million) and explanations for those variances are outlined below:

Services	Previous Year 2011/12 £'000	Current Year 2012/13 £'000	Variance £'000	Reason for Variance
Central Services	460	(496)	(956)	Increase in New Homes Bonus payments
Environmental and Regulatory Services	7,895	8,496	601	Increase in waste collection costs and associated costs
Housing Services	2,230	1,669	(561)	Revised methodology to Bad Debt Provision.

Note that figures in brackets show underspends compared to the previous year spend.

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 2013. At 31 March 2013 the authority's net assets amounted to £31.15 million (£30.54 million at 31 March 2012).
- 9.2 The authority's net assets are significantly reduced by the inclusion of the pension scheme liability of £68.47 million (compared to £65.53 million at 31 March 2012). The present value of the pension scheme liability has increased to £140.15 million (from £128.67 million at 31 March 2012) and the fair value of the scheme assets have increased to £71.67 million (£63.15 million at 31 March 2012).
- 9.3 In practice, the amount of net worth that can be used is £48.83 million (Usable Capital Receipts £36.97 million, Capital Grants Unapplied £0.87 million, Earmarked Reserves £6.63 million and Balances £4.35 million). The remaining - £17.68 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 48. 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 2012/13.
- 10.2 There has been a net decrease in cash and cash equivalents of £258k.
- 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 are shown below:

Heading	Previous Year 2011/12 £'000	Current Year 2012/13 £'000	Variance £'000	Reason for Variance
Income from Council Taxpayers	(80,075)	(80,779)	(704)	Average Council Tax Increase of 0.30% (0.2% in 2011/12) and increase in tax base 1.2% (0.7% in 2011/12)
Income Collectable from Business Rates Payers	(38,637)	(40,548)	(1,911)	NNDR Rate poundage increase 5.7% (4.6% in 2011/12)
Precepts and Demands – Somerset County Council	62,120	62,845	725	Increase in tax base
Business Rates – Payment to National Pool	38,410	40,324	1,914	Increase in NNDR Rate poundage increase

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.
- 12.2 During the audit there were some amendments made to the draft financial statements. Processes have been put in place to eliminate errors that have been identified during the 2012/13 audit to ensure that they do not occur in future years.
- 12.3 There was one adjusted misstatement. Payments made via BACS were inadvertently recorded as a creditor rather than as cash, meaning that both the creditor figure and the cash figure were overstated. This error occurred due to timings. The error has been corrected in the accounts and processes have been identified to ensure that the error does not occur in future years.
- 12.4 There was one unadjusted misstatement relating to the fair value of investment in Lufton 2000. In previous years this would have been included within Group Accounts but it was agreed with the external auditors to produce Group Accounts due to materiality. Reference is made within the notes to this interest. This will be corrected in future years.
- 12.5 Some other amendments to disclosures were made to ensure consistency. This amendment included an align to the capital receipt balance in the explanatory

forward to the disclosure within the Movement in Reserves Statement and Usable Reserves note.

- 12.6 None of the adjustments made impacted upon the financial position of the Council.

13. Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: *Revenue outturn 2012/13*
Capital outturn 2012/13
Accounting Policies 2012/13
