

REPORT TO GOVERNANCE AND AUDIT COMMITTEE

REPORT OF: STRATEGIC DIRECTOR (CORPORATE FOCUS) AND HEAD OF FINANCE

REPORT NO: HOF243

DATE: 23rd July 2013

TITLE:	Statement of Accounts 2012/13	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Cllr Mike Taylor Strategic Resources and Well Run Council	
CONTACT OFFICER:	Daren Turner – Strategic Director Corporate Focus 01476 406301 Email: d.turner@southkesteven.gov.uk Richard Wyles – Head of Finance 01476 406210 Email: r.wyles@southkesteven.gov.uk	
INITIAL IMPACT ANALYSIS: Equality and Diversity	Carried out and Referred to in paragraph (7) below N/A	Full impact assessment Required: No
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	None	

1. RECOMMENDATION

It is recommended that Governance & Audit Committee review the draft Statement of Accounts 2012/13 and raise any issues which may need consideration before the accounts are approved at the meeting on 26th September 2013.

2. PURPOSE OF THE REPORT

To present the Council's Statement of Accounts for 2012/13. It covers:

- Account and Audit (England) Regulations 2011
- Section 21(2) Local Government Act 2003
- Statement of Accounts
- Commentary on financial Statements

3. DETAILS OF REPORT

3.1 Account and Audit (England) Regulations 2011

The Statement of Accounts must be approved by the officer with responsibility for the Council's financial affairs (s151 Officer) by 30th June (which has been undertaken) and after completion of the audit, the accounts must then be approved by those charged with governance by 30th September 2013. It is however, considered good practice for the Governance and Audit Committee to review the draft Statement of Accounts before the audit is complete.

The Statement of Accounts must be published by 30th September 2013. The District Auditor must complete his audit and issue the relevant audit opinion to ensure the statutory deadline is met.

The purpose of the external audit of the financial statements is to give an opinion as to:

- a. whether they present a true and fair view of the financial position of the audited body and its expenditure and income for the year in question.
- b. whether they have been prepared in accordance with relevant legislation and applicable accounting standards.

Auditors must provide reasonable assurance that, subject to the concept of materiality, the financial statements:

- a. are free from material misstatements, whether caused by fraud or other irregularity or error
- b. comply with the statutory and other requirements applicable to the accounts of the audited body
- c. comply with all relevant requirements for accounting presentation and disclosure.

Auditors' opinions on the accounts are added to the Statement of Accounts and further detail of the audit findings is provided through the annual audit letter to the Council.

3.2 Section 21(2) Local Government Act 2003

This legislation requires that the Statement of Accounts is prepared in accordance with the statutory framework established by the Accounts and Audit Regulations (England) 2011. The Statement of Accounts which accompanies this report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United

Kingdom 2012/13 based on International Reporting Standards (the Code) produced by the Chartered Institute of Public Finance & Accounting (CIPFA). The Code sets out the proper accounting practices required for the Statement of Accounts.

3.3 Statement of Accounts

The Statement of Accounts will be published following the annual audit by KPMG which commenced on 1st July 2013. The accounts and associated papers meet the requirements of the Accounts and Audit Regulations 2011 and comply with the requirements of the Code.

The published accounts of the Council are an essential means by which it demonstrates stewardship of its resources and its financial performance in the use of those resources. The role of the Chief Finance Officer is to:

- a. ensure the regularity of transactions by putting systems of internal control in place to ensure that financial transactions are lawful
- b. maintain proper accounting records
- c. prepare financial statements that give a true and fair view of the financial position of the Council and its expenditure and income.

The Statement of Accounts includes an explanatory forward which provides a guide to the most significant matters reported in the accounts. It explains in overall terms the Council's financial position and assists in interpreting the accounting statements. It also contains a commentary on the major influences affecting the Council's income and expenditure, cashflow and information on the financial needs and resources of the Council.

3.4 Changes for 2012/13

Accounting policies have been reviewed and updated and were approved by the Committee at its meeting on 14th March 2013. The approved policies were used in the compilation of the 2012/13 Statement of Accounts. There were only a very small number of changes required and the 2012/13 accounts therefore follow a very similar format to the 2011/12 accounts.

The prime statements comprise:

- Movement in Reserves Statement – this statement shows the changes which have occurred in the Council's reserves during the year and reconciles these movements back to the Comprehensive Income & Expenditure Statement.
- Comprehensive Income & Expenditure Statement – reports the income and expenditure under SeRCOP (Service Reporting Code of Practice) headings. It also presents unrealised gains and losses that have occurred in the year.
- Balance Sheet – presents the financial position of the Council at the end of the financial year being reported.
- Cash Flow Statement – summarises the flows of cash into and out of the Council's bank accounts during the financial year.

Other Significant Items in the Statement of Accounts

During the last financial year (2011/12) the Council borrowed £121.652m in respect of the self-financing arrangements for the Housing Revenue Account (HRA). This transaction is reflected in the Comprehensive Income and Expenditure Statement

(CIES) within the Cost of Services. This was a one off transaction and the prior year comparators in the 2012/13 CIES should be viewed with this in mind.

3.5 Movement in Reserves Statement

The overall movement in reserves held on the bottom of the balance sheet as at 31st March 2013 is a decrease of £1.688m, which is the overall deficit as detailed in the CIES.

3.6 Comprehensive Income and Expenditure Statement

This statement is fundamental to the understanding of the Council's activities in that it reports the net cost for the year of all functions for which the Council is responsible and demonstrates how that cost has been financed from general Government grants and income from local taxpayers.

The service expenditure is in accordance with the Service Reporting Code of Practice.

The CIES shows an overall deficit of £1.688m which has been transferred to balances.

3.7 Balance Sheet

The Balance Sheet is fundamental to the understanding of the Council's financial position at the year end. It shows the balances and reserves and its long term indebtedness together with the non-current assets and net current assets employed in its operations.

The Council's net worth was £106.520m as at 31st March 2013 which represents a decrease of £1.690m which refers to the aforementioned deficit.

3.8 Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement as cash in hand, cash held in instant access accounts and money market funds less overdrafts repayable on demand.

3.9 Housing Revenue Account

The Housing Revenue Account (HRA) is 'ringfenced' from the general fund. This reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989. It includes credit and debit items required to be taken into account in determining the surplus or deficit on the HRA for the year.

The amounts included in the HRA differ from the amounts in respect of the HRA services included in the CIES for the authority as a whole as the CIES includes income and expenditure in accordance with the Code rather than in accordance with statute and non-statutory proper practices. For this reason the HRA has two parts:

- a. HRA Income and Expenditure Account
- b. Movement on the Housing Revenue Account Statement

The HRA shows a surplus of £1.720m for 2012/13 this and will be utilised to fund the repayment of the borrowing undertaken to support self-financing. The necessary transfers have taken place to reflect this use of the surplus.

3.10 Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund which shows the transactions of the billing authority in relation to non-domestic rates and the council tax. It illustrates the way in which these funds have been distributed to preceptors and the General Fund.

3.11 Conclusion

The report and enclosures represents a detailed picture of the Council's financial activity for 2012/13 and can be used as a base for medium term financial planning.

4. OTHER OPTIONS CONSIDERED

4.1 Not applicable

5. RESOURCE IMPLICATIONS

5.1 None

6. RISK AND MITIGATION

Risk has been considered as part of this report and any specific high risks are included in the table below:

Category Risk	Action / Controls
Statutory Risk	Statement of Accounts compiled in accordance with statutory guidance

7. ISSUES ARISING FROM IMPACT ANALYSIS

7.1 None

8. CRIME AND DISORDER IMPLICATIONS

8.1 N/A

9. COMMENTS OF FINANCIAL SERVICES

9.1 These are included within the report.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

10.1 In accordance with the Accounts & Audit regulations 2011 the Statement of Accounts must be approved by the Committee by 30th September 2013. The Committee has the opportunity to review the unaudited Statements prior to the statutory deadline.

11. COMMENTS OF OTHER RELEVANT SERVICES

11.1 None

12. APPENDICES:

Appendix A – Statement of Accounts 2012/13