

Report to: **Audit Committee**

Subject: **Statement of Accounts 2011-12**

Date: **25 September 2012**

Author: **Chief Financial Officer**

1. PURPOSE

To seek approval of the Council's Statement of Accounts for 2011-12.

2. BACKGROUND

2.1 Overview

The Accounts and Audit (England) Regulations 2011 require the responsible financial officer to sign and date the Statement of Accounts by 30 June, and to certify that the Statement presents a true and fair view of the financial position of the authority. Accordingly, the Corporate Director (Chief Financial Officer) signed and certified the Council's Statement of Accounts on 30 June 2012.

The regulations further require that by 30 September 2012 the Statement of Accounts must have been considered and approved by the relevant committee, and at Gedling, this is the Audit Committee. The Statement of Accounts must be re-signed by the Chief Financial Officer prior to being signed and dated by the chairman of the Audit Committee.

The Statement of Accounts for 2011-12 has now been audited and is attached at Appendix 1. The accounts should be considered giving due regard to any comments made by the auditor in the Annual Governance Report, which is the previous item on this agenda.

2.2 The Economy

2011-12 was another challenging year for the financial markets. Economic growth in the UK was disappointing due to the austerity programme, a lack of rebalancing of the economy towards exporting, and weak growth in our biggest export market, the European Union. The EU sovereign debt crisis grew in intensity until February, when a refinancing package was agreed for Greece. Weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing by £75bn in October and another £50bn in February. Bank Rate therefore ended the year unchanged at 0.5% while CPI inflation peaked in September at 5.2% but then fell to 3.4% in February. Further falls to below 2% are expected over the next two years.

During 2011-12 the economic climate continued to place significant pressure on the Council's budget position. However, the current sound financial position, combined with the Medium Term Financial Plan and projections for reserves and balances, mean that the council is well placed to deal with the ongoing uncertainty in the UK and global economy, and the impact of further significant reductions to Government Grants from 2012-13 onwards.

The Council will continue to monitor the external environment and develop strategies to counter threats from the wider economy. The overall financial and operational management arrangements remain robust and the council is well placed to provide services at current levels in the future.

2.3 Accounting Practice Changes

2011-12 was a year of consolidation following the full implementation of the International Financial Reporting Standards (IFRS) Code in 2010-11. Compliance with the Code addresses all the requirements of IFRS as they relate to local government.

The 2011-12 Code requires the adoption of FRS30, Heritage Assets. Such assets are defined as "tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that lead them to be maintained principally for their contribution to knowledge and culture". Following a full review, it was concluded that no material heritage assets were held by the Council at 31 March 2012.

3. BUDGET OUTTURN AND ACCOUNT HIGHLIGHTS

3.1 General Fund Capital and Revenue Outturn 2011-12

General Fund outturn figures for 2011-12 were reported to Cabinet on 7 June 2012. Net expenditure totalled £13,438,429, a small overspend of £39,729 when compared with the current approved estimate for 2011-12, as detailed below. The small overspend is mainly due to the year-end review of the balance sheet, in particular, an increase in required bad debts provision. In view of the overspent position, no revenue budget carry forward requests were approved. Given the extent of changes and costs absorbed during the year, as explained during the regular quarterly monitoring reports, this represents an excellent outturn position for the Council

General Fund Revenue Outturn 2011-12

Portfolio	Current Est 2011-12 £	Actual Exp 2011-12 £	Variance £
Community & Employee Relations	1,001,100	1,004,855	3,755
Health & Wellbeing	1,474,700	1,437,816	(36,884)
Communication & Public Protection	863,500	759,896	(103,604)
Economic & Strategic Development	1,230,800	1,289,738	58,938
Environment & Sustainability	5,384,300	5,313,754	(70,546)
Leisure & Culture	2,440,800	2,404,216	(36,584)
Finance	1,003,500	1,228,154	224,654
Total	13,398,700	13,438,429	39,729

The General Fund Balance at 31 March 2012 is £4.868m. This level of balances remains above the minimum required in the Medium Term Financial Plan.

Total capital investment during 2011-12 totalled £2.075m and this was financed by the use of capital receipts, borrowing, government grants and other contributions. The council's total external debt at 31 March 2012 was £10.812m.

3.2 Major Variations 2011-12

Full details of budget variances were reported to members on 7 June, however some major items are repeated below for information.

- **Employee Expenses**

Savings of £79,400 were achieved against the budgeted position, as a result of efficiency reviews and positive vacancy management. This was in excess of the vacancy provision target of £89,600.

- **Bad Debt Provisions**

Additional provision of £223,700 for bad debts was made in the year, due to ageing debt profiles, a deterioration in debt quality as a result of the ongoing decline in the economic climate, and a significant write-off of rent following an arbitration decision in respect of Bestwood Lodge

- **Leisure Centre income**

Leisure centre income fell £59,600 short of the current estimate. Although the overall DNA base has grown, the membership demographic has altered, with more members entitled to concessionary rates, reducing the total income. Bar sales, room hire and secondary spend also fell across all sites.

3.3 Balance Sheet Variances

The balance sheet shows a movement in net worth of £15.554m, from positive £12.355m at 31 March 2011 to negative £3.199m at 31 March 2012. Of this, £12.095m (78%) is due to technical actuarial valuation requirements of the Pension Fund under IAS 19, Retirement Benefits, and net reductions in asset values account for a further £3m, (20%).

The increase of £12.095m in the net pension deficit is due to the specific technical calculations required under IAS 19 which measure the net present value of future assets and liabilities. This technical valuation bears no resemblance to the cash position on the fund, which remains healthy.

Significant asset valuation movements include the £2.406m impairment of development land at Teal Close due to reduced market prices for larger development sites.

Due to the requirements of local authority accounting, changes in pension fund valuations and asset valuations do not have an impact at taxpayer level.

4. AUDIT OF ACCOUNTS PROCESS

The Accounts are scrutinised by the council's external auditors, the Audit Commission, and the Chief Financial Officer discusses progress with the external auditors regularly.

The Audit Commission expects its auditors to ask each authority to provide a letter of representation, providing certain assurances about the completeness and accuracy of its Statement of Accounts. A copy of this letter is attached at appendix 2.

The procedures that the Audit Commission expects authorities to follow in providing a representation letter are that it should be dated on or near the date the auditors sign the audit opinion, and that it is signed by the person with responsibility for the financial statements after consultation with the monitoring officer on legal matters, and other matters as appropriate. It must be formally acknowledged by an appropriate committee of the council, in Gedling's case the Audit Committee.

5. RECOMMENDATIONS

Members are recommended to:

1. Approve the Statement of Accounts for 2011-12 (appendix 1).
2. Note the letter of representation (appendix 2).