

## **Report to Audit Committee**

**Subject:** Statement of Accounts 2012/13  
**Date:** 24 September 2013  
**Author:** Corporate Director (Chief Financial Officer)

### **1. Purpose of the Report**

To seek approval of the Council's Statement of Accounts for 2012/13.

### **2. Background**

#### **2.1 Overview**

The Accounts and Audit (England) Regulations 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 27 June 2013.

The regulations further require that by 30 September 2013 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 2012-13 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**

The financial year 2012-13 continued the challenging financial environment of previous years, with low investment returns and heightened levels of risk. The original expectation was that Bank Rate would rise gently during 2012-13, however economic growth in the UK was disappointing due to the austerity programme, weak consumer confidence, a lack of rebalancing in the economy towards exporting, and weak growth in the European Union.

The Government maintained its tight fiscal policy in the light of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Key to retaining this rating would be a return to strong economic growth in order to reduce the

national debt to a sustainable level, within the austerity plan timeframe. Weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing in July 2012 to a total of £375bn. Bank Rate ended the year unchanged at 0.5%, while CPI inflation fell from 3% at the start of the year to end at 2.8% in March. The EU debt crisis was ongoing, with first Greece and then Cyprus experiencing conditions which were met with bailouts after fraught negotiations.

The Government's Funding for Lending Scheme made a flood of cheap credit available to banks, the result of which has been that investment rates fell sharply.

### 2.3 Accounting Practice Changes

There were no major changes to the CIPFA Code of Practice on Local Authority Accounting in 2012-13, however a number of minor amendments were dealt with, for example in respect of general and non ring-fenced grants.

## 3. Proposal

### 3.1 General Fund Capital and Revenue Outturn 2012-13

General Fund outturn figures for 2012-13 were reported to Cabinet on 6 June 2013. Net expenditure totalled £11,872,549, representing an under-spend of £293,851 or 2.4% when compared with the current approved estimate for 2012-13, as detailed below. Revenue budget carry forward requests of £114,300 were approved.

<b>Portfolio</b>	<b>Current Est 2012-13 £</b>	<b>Actual Exp 2012-13 £</b>	<b>Variance £</b>
Community Development	1,728,200	1,649,765	(78,435)
Health & Housing	866,600	954,368	87,768
Public Protection & Communication	1,521,400	1,394,567	(126,833)
Environment	5,229,000	5,080,232	(148,768)
Leisure & Development	2,677,200	2,903,769	226,569
Finance & Performance	144,000	(110,151)	(254,151)
<b>Total</b>	<b>12,166,400</b>	<b>11,872,549</b>	<b>(293,851)</b>

The General Fund Balance at 31 March 2013 is £4.940m. This level of balances remains above the minimum required in the Medium Term Financial Plan.

Total capital investment during 2012-13 totalled £3.182m 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 2013 was £10.812m.

### 3.2 Major Variations 2012-13

Full details of budget variances were reported to members on 6 June, however some major items are repeated below for information.

- Additional expenditure of £137.2k against the current approved estimate was incurred on housing benefits, due largely to an increased bad debt provision as a result of the economic climate putting pressure on caseload and debt quality.
- Increased provision of £70k was made in anticipation of the settlement of an outstanding legal claim for the refund of land charges property search fees.
- Savings of £97.4k against the current approved estimate were made in respect of employee expenses, as a result of positive vacancy management. This was in excess of the vacancy target of £90k.
- £92.3k from the earmarked reserve for the Municipal Mutual Insurance Scheme of Arrangement was released back to the General Fund following advice that the liabilities of the scheme, now actioned, were expected to be lower than anticipated.

### 3.3 Balance Sheet Variances

The balance sheet shows a movement in net worth of £0.185m, from negative £3.199m at 31 March 2012 to negative £3.384m at 31 March 2013. Of this, £0.493m is due to technical actuarial valuation requirements of the Pension Fund under IAS 19, Retirement Benefits, offset by a net increase in long term asset values of £0.274m.

The increase of £0.493m 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.

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

### 3.4 Audit of Accounts Process

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

KPMG expects 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 KPMG 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.

#### **4. Resource Implications**

There are no specific resource implications arising from this report.

#### **5. Recommendation**

Members are recommended to:

1. Approve the Statement of Accounts for 2012-13 (appendix 1).
2. Note the letter of representation (appendix 2).

#### **6. Appendices**

1. Statement of Accounts 2012-13
2. Letter of Representation