

Report to Audit Committee

Subject: Statement of Accounts 2013/14
Date: 23 September 2014
Author: Corporate Director (Chief Financial Officer)

1. Purpose of the Report

To seek approval of the Council's Statement of Accounts for 2013/14.

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 30 June 2014.

The regulations further require that by 30 September 2014 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 2013/14 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

2013/14 continued the challenging financial environment of previous years, with very low investment returns and heightened levels of risk. The original expectation that bank rate would not rise during 2013/14, but then rise gently from Q1 of 2015 was adjusted slightly to a rise starting only in Q3. Bank rate ended the year unchanged at 0.5% for the fifth successive year. Economic growth was strong during the year, and CPI inflation is expected to remain slightly below the target rate of 2% for most of the two years ahead.

The Government's Funding for Lending Scheme continued to provide cheap credit to banks, with the result that investment rates fell further during 2013/14.

The part of the scheme which provided credit for mortgages was withdrawn in the first quarter of 2014 as concerns rose over rising house prices.

The Government maintained its tight fiscal policy stance, however, strong economic growth led to a reduction in the forecast for total borrowing of £97bn over the next five years, culminating in an estimated surplus of £5bn in 2018/19.

2.3 Accounting Practice Changes

There were no major changes to the Code of Practice on Local Authority Accounting in 2013/14, however there were a number of minor amendments including post-employment benefits, financial instruments and the presentation of the financial statements. Most significant was the change associated with accounting for the Business Rates Retention Scheme, introduced on 1 April 2013, and representing a major change in the funding of Local Government.

3. Proposal

3.1 General Fund Capital and Revenue Outturn 2013/14

General Fund outturn figures for 2013/14 were reported to Cabinet on 19 June 2014. Net expenditure totalled £12,466,117, representing an under-spend of £488,283 or 3.8% when compared with the current approved estimate for 2013/14, as detailed below. Revenue budget carry forward requests of £109,700 were approved.

| Portfolio | Current Est 2013/14 £ | Actual Exp 2013/14 £ | Variance £ |
|-----------------------------------|--------------------------------------|-------------------------------------|-----------------------|
| Community Development | 1,363,900 | 1,506,484 | 142,584 |
| Health & Housing | 1,177,100 | 848,596 | (328,504) |
| Public Protection & Communication | 1,494,200 | 1,430,498 | (63,702) |
| Environment | 5,098,800 | 4,865,085 | (233,715) |
| Leisure & Development | 2,868,200 | 2,763,206 | (104,994) |
| Finance & Performance | 952,200 | 1,052,248 | 100,048 |
| Total | 12,954,400 | 12,466,117 | (488,283) |

The General Fund Balance at 31 March 2014 is £6.194m. This level of balances remains above the minimum required in the Medium Term Financial Plan, however it should be noted that of the balance of £6.194m, £109.7k is required to fund revenue carry forwards and £384k is required for the Council's share of the Business Rates Collection Fund deficit.

Total capital investment during 2013/14 totalled £3.147m and this was financed by the use of capital receipts, borrowing, grants and contributions, and General Fund revenue contributions. The council's total external debt at 31 March 2014 was £10.812m.

3.2 Major Variations 2013/14

Full details of budget variances were reported to members on 19 June, however some major items are repeated below for information.

- Council tax benefits and the associated subsidy arrangements were abolished on 1 April 2013, however where valid backdated claims are made after this date the Council is obliged to pay them and to bear the whole cost. Conversely, where previous overpayments have been identified the Council is entitled to recover these and no subsidy is clawed back. Furthermore, where changes are made to reliefs, exemptions or discounts for periods prior to 1 April 2013 these do not impact on claimants but generate adjustments to benefit previously paid by the General Fund to the Collection Fund. Such adjustments represent the majority of the £211k saving reported in respect of council tax benefits.
- Savings of £205k were made on rent allowances despite positive budget maintenance during the year. This was due mainly to significant volatility in the profile of some types of overpayment recoveries.
- Expenditure of £126k was incurred on a judicial review of a planning decision for a wind turbine, and an order from the Court of Appeal for costs is awaited. A further £42k was incurred on a judicial review of a crematorium planning decision.
- Savings of £573k against the original estimate were made in respect of employee expenses, as a result of positive vacancy management, the delivery of efficiencies arising from planned restructures, salary savings from the closure of Arnold Leisure Centre during its refurbishment, and a Leisure Centre Management restructure.
- The balance of £177k an earmarked reserve for the Arnold Town Masterplan was used during 2013/14 to make contributions to the refurbishment of Arnold Leisure Centre and to works carried out on Druids Car Park.

3.3 Balance Sheet Variances

The balance sheet shows a movement in net worth of £0.467m, from negative £3.384m at 31 March 2013 to negative £2.917m at 31 March 2014. Of this, £2.664m is due to technical actuarial valuation requirements of the Pension Fund under IAS 19, Retirement Benefits, largely offset by a net increase in long term asset values of £1.888m.

The increase of £2.664m 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 requires 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 2013/14 (appendix 1).
2. Note the letter of representation (appendix 2).

6. Appendices

1. Statement of Accounts 2013/14
2. Letter of Representation