

Report of	Meeting	Date
Chief Finance Officer	Governance Committee	27 June 2013

STATEMENT OF ACCOUNTS 2012/13

PURPOSE OF REPORT

1. To give members sight of the draft Statement of Accounts (SOA) before they are signed and authorised for issue by the Chief Financial Officer. This has to be done before the end of June 2013. This report also advises about the process leading up to SOAs' formal submission for Members' approval following the completion of the external inspection.
2. This report covers the year-end financial position as it should be presented in the Council's Statement of Accounts. It does not make detailed comparisons of the Council's actual revenue and capital expenditure compared against its budget, this done throughout the year in reports to the Executive Cabinet in the budget monitoring reports. Such budget monitoring reports on the provisional out-turn (year-end position) have been submitted to the Cabinet meeting to take place on 20th June 2013.

RECOMMENDATION(S)

3. Members are asked to note the report.

EXECUTIVE SUMMARY OF REPORT

4. The report concentrates on the major parts of the statements and seeks to explain significant changes from previous years for members' attention. It also advises on the statutory requirements for signature, audit, inspection and publication of the accounts.

Confidential report Please bold as appropriate		No
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CORPORATE PRIORITIES

5. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	X

BACKGROUND

6. Regulation 8 of the Accounts and Audit (England) Regulations 2011 requires:
 - The responsible financial officer must, by June 30, sign and date the Statement of Accounts and certify that it presents a true and fair view of the financial position of the Authority at the year end and the income and expenditure for the year.
 - By September 30 the responsible financial officer must re-certify the Statement following the audit, the Governance Committee must consider and approve the Statement of Accounts and the Chairman must sign it. The Statement of Accounts and the External Auditor's statement must be published.
7. The Statement of Accounts now presented to members is therefore for information only, not for approval until September.
8. In the following section attention is drawn to the salient, key numbers in the core Statement of Accounts.

DETAIL

9. Movement in Reserves (MIR) Statement

- This statement starts with the deficit in the year, calculated according to generally accepted accounting practice, of £0.299m. For the purposes of calculating council tax, however, certain costs have to be deducted from this figure and be held in "Unusable Reserves" on the balance sheet. The net value of these adjustments is £1.576m. After this adjustment the MIR shows a surplus of £1.277m. Of this sum, a net £1.482m was transferred to earmarked reserves. This leaves the General Fund balance at year end of £2.060m.
- Reserves earmarked for specific purposes total £4.300m at year end. These purposes are detailed in Note 8 to the accounts.
- Usable capital reserves have increased slightly to £3.004m.
- In total Usable Reserves (i.e. available for capital or revenue purposes) total £9.400m.

10. Comprehensive Income and Expenditure Statement

This shows the detail building up to the deficit for the year of £0.299m. The significant differences between the 2011/12 and 2012/13 figures are as follows:-

- **Highways & Transport.** Net expenditure has fallen by £2.700m. This is because 2011/12 expenditure was increased by a one off capital charge of £2.700m, this being the amount paid by the Council as its contribution in that year to the Buckshaw Station project. This charge did not hit the Council Tax payer, i.e. it was one of those costs transferred to one of the Unusable Reserves.
- **Housing Services.** In 2011/12 a one off grant of £0.500m was received by the Council on behalf of other Lancashire Districts for homelessness prevention. This explains the movement in net expenditure between the two years.
- **Other Operating Expenditure.** In 2011/12 £1.750m was received from Chorley Community Housing (CCH) relating to the pension deficit of employees transferred from the Council. That sum was then transferred to a "provision" account. In 2012/13

it was agreed with the External Audit that the "Provision" would become a "Reserve." This adjustment accounts for the major part of the movement between the years.

At the foot of the Statement two further gains/losses are added, the gain on the revaluation of property and the losses measured by the actuary on the pension fund. Comment on the second of these is made in the Balance Sheet section of this report.

11. Balance Sheet

This shows the value, as at the Balance Sheet date, of all the assets and liabilities of the authority. Focus is given to explaining any significant changes between the years, these are as follows:-

- **Cash and investments.** These constitute the Council's liquid resources. In February a decision was taken to invest £3.000m for one year even though it was anticipated that this would result in a cash shortage for a short period over the year end. This eventuality materialised and it will be seen that the Council had a bank overdraft for a similar sum at 31st March. This was repaid within the first fortnight of the new financial year.
- Net of this overdraft, cash and investments totalled £10.800m at year end, down from nearly £13.000m a year earlier. The fall is attributable to the outflow of cash to finance the capital programme, and the repayment of debt totalling £0.600m.
- **Debtors** at 31 March 2013 included the £1.750m due from CCH Ltd (see para 11 above) to offset the pension deficit of transferred staff. This debt was settled in early April. If this debt is excluded there is no significant change in the total amount of debtors between the two years.
- **Creditors** have reduced by £2.600m. This consists of a reduction in the amount owed to the DCLG in respect of business rates (£1.300m) and council tax benefit (£0.400m) plus other general creditors.
- **Provisions** have reduced by £1.750m being replaced by an earmarked reserve for the same amount (see para 11 above).
- **Pensions** – The Statement of Accounts shows that the pension fund deficit has increased from £34.0m to £41.0m. This figure is very much an estimate being the actuary's assessment of the present value of the liabilities to be met by the fund over a very long period, less its current assets and anticipated future receipts. Note 44c to the Statement shows that the deficit, year on year, is volatile, nevertheless the trend is upwards, and the increase this year has happened despite the strong rise in equity values which resulted in gains to the pension fund exceeding those expected. These were more than offset by the effect of a decline in the rate used to discount those future liabilities.

Changes in pension fund regulations were announced in 2011/12 that should restrict future liabilities, but these will not affect past liabilities.

The statutory arrangement for funding the deficit provide that it be made good by increased contributions over the remaining working life of employees. The actuary will, this year, undertake his three yearly revaluation of the fund. Any change in contributions resulting from this will thus impact on the Council in the financial year 2014/15. This eventuality was identified in the Medium Term Financial Strategy as one of the factors that had not been built into future years' projections but which would, it was assumed, have an impact.

12. The Collection Fund

This showed a modest surplus of £56k on the year. This was consistent with estimates and has been allowed for in fixing the 2013/14 Council Tax.

Conclusion

13. The Accounts show the Council to be in a strong financial position.
14. Members will be asked to formally approve the statement by 30th September following the audit carried out by the Council's external auditors.
15. Notice has been received from the external auditor that 20th August 2013 has been appointed as the date on or after which local government electors may exercise their rights to question the auditor about the accounts. A period of inspection will run for 20 full working days before that date from 23rd July 2013. The Council will give 14 days notice by advertisement and via the website of the commencement of this period and this will placed on 3rd July 2013.

IMPLICATIONS OF REPORT

16. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	X	Customer Services	
Human Resources		Equality and Diversity	
Legal	X	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

17. The accounts have been produced in compliance with the relevant accounting standards and codes.

COMMENTS OF THE MONITORING OFFICER

18. None other than to support the comment of the Statutory Finance Officer.

GARY HALL
CHIEF FINANCE OFFICER

Background Papers			
Document	Date	File	Place of Inspection
Final account working papers	June 2013	***	Town Hall

Report Author	Ext	Date	Doc ID
G Whitehead	5485	7 June 2013	Statement of Accounts Report 2012-13.doc