

EAST HERTS COUNCIL

AUDIT COMMITTEE – 18 SEPTEMBER 2013

REPORT BY EXECUTIVE MEMBER FOR FINANCE

STATEMENT OF ACCOUNTS 2012/13

WARD(S) AFFECTED: None Specific

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**Purpose/Summary of Report**

- The report sets out the background to the requirements for Members to consider and approve the Council's 2012/13 Statement of Accounts. The report also provides details of changes in reporting requirements from 2011/12 together with supporting comments on the key financial statements.

**RECOMMENDATIONS FOR AUDIT COMMITTEE: That:**

<b>(A)</b>	<b>the Council's Statement of Accounts for the financial year 2012/13 be approved and signed by the Chairman at the conclusion of the meeting; and</b>
<b>(B)</b>	<b>the letter of representation be approved for signing by the Chairman and the Director of Finance and Support Services.</b>

1.0 Background

- 1.1 The approval of the Council's Accounts is a statutory requirement. The Accounts and Audit Regulations 2011, which came into force on 31 March 2011, set out the current requirements for the production and publication of the Council's annual Statement of Accounts.
- 1.2 These Regulations now require the Accounts to be signed by the Council's S151 Officer by 30 June following the relevant accounting year and passed for audit before being approved by the relevant body of the Council (as defined in the Regulations) following audit and then published by 30 September. The S151 Officer in signing the accounts is required to certify that the

accounts present a “true and fair view” of the financial position of the Council at year end.

- 1.3 In line with the Council’s constitution this committee, as the relevant body now has the benefit of receiving the External Auditor’s report on the accounts prior to Member approval.
- 1.4 A separate report elsewhere on the agenda deals with requirements for consideration and approval of the Council’s annual Governance Statement, which is required to be included within the Council’s overall published accounts.
- 2.0 Report
- 2.1 The Statement of Accounts is attached at **Essential Reference Paper B** to the report.
- 2.2 The audit of the Accounts has now been substantially completed and the External Auditor’s report is included at item xx to the agenda. No significant issues have arisen through the audit process and officers have agreed and undertaken some presentational and disclosure adjustments that had no overall net effect on the Council’s reported assets and liabilities.
- 2.3 The Statement of Accounts is produced in accordance with appropriate Regulations, Codes of Practice and guidance notes and there is a high level of prescription with regard to their form and content.
- 2.4 The draft accounts were submitted to the Committee at its meeting on 10 July. The Committee made a number of suggestions regarding the presentation of the accounts including a recommendation relating to additional commentary within the explanatory foreword. Changes to the accounts have been made in line with the Committee’s recommendations. Members will appreciate that the accounts are technical in nature and it would be of assistance if any questions that Members have of a detailed nature could be referred to the Head of Finance & Performance in advance of the meeting in order that officers have time to research any particular issues.
- 2.5 The Council’s financial performance for 2012/13, which is reflected in the accounts presented, has been reported in depth to the Executive on 23 July 2013. Members should note that the

accounts reflect proposals for reserves agreed by the Council in line with the Medium Term Financial Plan.

- 2.6 The Committee are reminded that 2012/13 represents the third year of production of accounts under International Financial Reporting Standards (IFRS).
- 2.7 The accounts now comprise of an explanatory foreword, four core statements together with supporting notes. The first supporting note sets out the Council's accounting policies and Members are invited to confirm that these are appropriate.
- 2.8 The 2012/13 accounts have been produced in line with the 2012 accounting Code of Practice and accounting regulations as appropriate. There are no significant Legislative or accounting changes affecting the production of this year's accounts.
- 2.9 The following comments summarise the purpose of the main financial Statements as well as highlighting any key issues.
- 2.10 Movement in Reserves Statement (MIRS)  
The MIRS shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (those that can be applied to fund expenditure or reduce taxation) and other reserves. The deficit on the provision of services line shows the economic cost of providing the Council's services with more details being shown in the Comprehensive I&E Statement. An adjustment is made to reflect the difference between the deficit shown and the amount to be charged under statutory provision for council tax setting purposes.
- 2.11 Comprehensive I&E Statement (CI&ES)  
The statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting principles, rather than the amount to be funded from taxation.

The reported deficit of £4.2m compares to a surplus on a funding (taxation) basis of £2.8m. This difference is principally due to accounting charges in respect of capital, pensions and asset revaluations which are required to be shown (under statute) within the Income and expenditure account but which do not impact on the funding position.

## 2.12 Balance Sheet

The consolidated balance sheet includes the assets and liabilities of all activities of the Authority. It shows the balances and reserves at the Authority's disposal and its long term indebtedness together with the fixed and net current assets which are employed by the Council in delivering its services.

The value of Property Plant & Equipment has reduced by £675k reflecting the write down of assets in respect of capital charges offset by additions during the year and net gains on revaluation.

The increase in Long Term Debtors reflects the Council's £1m support under the Local Authority Mortgage Scheme (LAMS).

The increase in cash and cash equivalents relates to short term investments which in recognition of their liquid status are categorised as cash under reporting requirements.

The underlying trend in debtor and creditor movements is fairly flat.

There has been no change to the Council's long term borrowing position in the year.

The increase in pension Liability and Pension Reserve reflect year end actuarial valuations. The assessed level of liabilities has increased by £13.5m which is offset by an increase in the fair value of pension assets of £8.0m

The Council's Usable revenue reserves have increased by £2.789m reflecting the surplus in year.

## 2.14 Cash Flow Statement

The Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

In line with the accounting requirements for Council Tax and NNDR, the statement now excludes precept payments to major preceptors together with their share of Council Tax receipts along with the cash collected from NNDR payers and the Council's payment to the NNDR pool.

## 2.15 The Collection Fund is no longer recognised as one of the main

financial Statements, however, is included as a supplementary note to the accounts.

Under statutory requirements the Council, as billing authority, maintains the Fund which records the transactions in respect of Council tax and Non-Domestic rates.

The balance on the Fund (surplus of £1.02m at 31 March 2013) is attributable to the main precepting authorities in proportion to the precepts levied. Accordingly, this Council's share is £151k.

- 2.16 As part of the governance arrangements for the audit of the Council's accounts a "letter of representation" is provided to the Auditor confirming that appropriate arrangements are in place. The Committee is required to approve the letter which will then be signed by the Chairman and Director of Finance and Support Services. A copy is included at **Essential Reference Paper C**.
- 2.17 The Annual Governance Statement, which is the subject of a separate report on the agenda, is required to be included as part of the Council's published accounts.

### 3.0 Implications/Consultations

- 3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

### Background Papers

Report to Audit Committee on 10 July 2013.

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