

EAST HERTS COUNCIL

AUDIT COMMITTEE – 24 SEPTEMBER 2014

REPORT BY EXECUTIVE MEMBER FOR FINANCE

STATEMENT OF ACCOUNTS 2013/14

WARD(S) AFFECTED: None Specific

Purpose/Summary of Report

- The report sets out the background to the requirements for Members to consider and approve the Council's 2013/14 Statement of Accounts. The report also provides details of changes in reporting requirements from 2012/13 together with supporting comments on the key financial statements.

RECOMMENDATIONS FOR AUDIT COMMITTEE:

That:

(A)	the Council's Statement of Accounts for the financial year 2013/14 be approved and signed by the Chairman at the conclusion of the meeting; and
(B)	the letter of representation be approved for signing by the Chairman and the Director of Finance and Support Services.

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 5 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 16 July and Members asked a number of questions as well as seeking clarification on various items. Members will appreciate that the accounts are technical in nature and it would be of assistance if any further questions that Members have of a detailed nature could be referred to the Head of Finance and 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 2013/14, which is reflected in the accounts presented, has been reported in depth to the Executive on 5 August 2014. 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 is reminded that 2013/14 represents the fourth year of production of accounts under International Financial Reporting Standards (IFRS).
- 2.7 The accounts now comprise an explanatory foreword and 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 2013/14 accounts have been produced in line with the 2013 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. Some presentational changes have been made in respect of pension costs shown within the Comprehensive Income and Expenditure Statement (CI&ES) and supporting notes.
- 2.9 The following summarises 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 Income & Expenditure Statement (CI&ES). 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 Income & Expenditure 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 surplus of £4.2m compares to a surplus on a funding (taxation) basis of £2.3m. This difference is principally due to the net accounting entries 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 £1.32m reflecting the write down of assets in respect of capital charges and impairment offset by additions during the year.

The reduction in Long Term Investments is broadly offset by an increase in short term investments which, in recognition of their liquid status are categorised as cash and cash equivalents under reporting requirements.

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

Two new provisions have been created in 2013/14 relating to this Council's apportionment of valuation appeals in respect of Non Domestic Rates (£1.024m) and planning appeals (£287k).

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

The reduction in pension Liability and Pension Reserve reflect year end actuarial valuations. An increase in the fair value of pension assets of £7.56m is offset by an increase in the present value of funded liabilities of £2.27m.

The Council's Usable revenue reserves have increased by £2.308m 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 only includes cash flows in respect of East Herts apportionments of Council Tax and NDR Income.

2.15 Collection Fund

In line with accounting requirements the Collection Fund, which is presented as a supplementary note to the accounts, now includes business rates (NDR) as well as Council Tax.

Following changes in the funding regime for business rates the Collection Fund now reflects a balance (at 31 March 2014) in respect of NDR of £3.53m (deficit) which is apportioned between East Herts, Government and the County Council. This Council's share is £1.413m (deficit) which, in accordance with prescribed accounting arrangements, will be charged in the 2015/16 accounts.

Members will be aware that cash flow arrangements for various Government grants (in respect of the new funding regime) resulted in the Council receiving £1.37m in 2013/14 which has been transferred to a new "Government Funding Risk Reserve". Together with further grants anticipated in 2014/15 this will be used to offset this Council's share of the 2013/14 NDR Collection Fund deficit.

The Council Tax element of the Collection Fund has a surplus balance of £410k at 31 March 2014. This Council's share which is £45k will be available to support the Council Tax in 2015/16.

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 16 July 2014.

Contact Member: Councillor Michael Tindale, Executive Member for Finance
Michael.tindale@eastherts.gov.uk

Contact Officer: Adele Taylor, Director of Finance and Support Services
Contact Tel No Ext 1401
Adele.taylor@eastherts.gov.uk

Report Author: Simon Chancellor– Head of Finance & Performance
simon.chancellor@eastherts.gov.uk