

# Forest Heath District Council

**PERFORMANCE AND  
AUDIT SCRUTINY  
COMMITTEE**

**24 SEPTEMBER 2013**

**PAS13/014**

(This report is not a key decision. This report has been subject to appropriate notice of publication under the Council's Access to Information Rules)

## **Report of the Chief Financial Officer (Section 151 Officer)**

### **2012-2013 STATEMENT OF ACCOUNTS**

#### **1. Summary and Reasons for Recommendations**

- 1.1. Statutory requirements for the reporting and approval of the Council's annual financial statements are set out in the Accounts and Audit Regulations 2011. The regulations require the Council to submit draft accounts to its external auditors (currently Ernst and Young) by 30 June each year, with member scrutiny and approval of the accounts required once the audit has been concluded (normally by 30 September each year).
- 1.2. Ernst and Young commenced the audit of the Council's draft Statement of Accounts in July 2013, with a view to its completion prior to the 30 September 2013 deadline for publication. The results of Ernst and Young's review of the accounts are provided in the Annual Governance Report, which is included on this Committee's agenda. The attached accounts (Appendix A) have been amended (as appropriate) to take on board issues raised by the audit process up to the date of distribution.
- 1.3. The auditors intend to issue an unqualified opinion on the financial statements and to issue a VFM conclusion that the Council has made the appropriate arrangements to secure economy, efficiency and effectiveness in our use of resources.
- 1.4. A significant amount of time and resource has gone into the production of the Council's 2012/13 Statement of Accounts. It was a great achievement for the Council to have the unaudited Statement of Accounts signed by the Chief Financial Officer (S151 Officer) before the statutory deadline of 30 June 2013, and for the audit to conclude with no significant changes required. The accounts will subsequently be signed off by our external auditors, again prior to the 30 September deadline. These achievements are particularly acknowledged during an unsettling period of change and uncertainty for the Finance Team.

#### **2. Recommendations**

- 2.1 It is recommended that:
  - a. the Committee approves the 2012/13 Statement of Accounts (attached at Appendix A) in accordance with powers delegated to it under the Council's Constitution;

- b. the Chairman of the Committee signs the certification of the 2012/13 Statement of Accounts on behalf of the Committee;
- c. the Chief Financial Officer, in consultation with the Portfolio Holder for Resources, Governance and Performance, be given delegated authority to make any presentational and non-material changes that may be required up to the date of publication.

<b><u>Contact Details</u></b>	<b><u>Portfolio Holder</u></b>	<b><u>Lead Officer</u></b>
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### **3. How will the recommendations help us meet our strategic priorities?**

- 3.1 Monitoring year end financial performance plays an important role in understanding how the Council's financial plans and strategies have contributed towards the achievement of the corporate objectives and strategic plan priorities.
- 3.2 In order for the Council to be able to meet its strategic priorities it is essential that sufficient and appropriate financial resources are available.
- 3.3 This report presents the final accounts of the Council for the financial year ending 31<sup>st</sup> March 2013.

## **4. Key Issues**

### **4.1 Background**

- 4.1.1 The purpose of this report is to present the 2012/13 Statement of Accounts to this committee for scrutiny, and approval in accordance with powers delegated to it under the Council's Constitution. In addition to providing supporting information regarding the preparation and presentation of the 2012/13 accounts, this report also provides a summary of financial highlights for the 2012/13 financial year.
- 4.1.2 The 2012/13 accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which is updated annually to reflect statutory and regulatory changes to accounting policies.

## 4.2 Financial Highlights – 2012/13

- 4.2.1 External economic pressures and uncertainty are continuing to impact on the finances of the Council. A full commentary on the financial performance of the Council can be found in the Explanatory Foreword on pages 4 to 7 of the Statement of Accounts. The key aspects are highlighted below:
- 4.2.2 **Revenue Expenditure** - The Council set a net expenditure budget for 2012/13 of £6.426m. The actual net expenditure for the year was £6.423m, resulting in a budget underspend for the year of £0.003m. The budget underspend has been transferred to the general fund reserve to help support future years' Council Tax levels.
- 4.2.3 **Capital Expenditure** - The Council's capital expenditure for the year totalled around £4.0m (including the Home of Horseracing project) with a further £1.0m being spent on capital grants. Overall the capital programme for 2012/13 showed a net underspend of £0.326m against budget. This included an overspend of £205,000 on Private Sector Disabled Facilities and Renewals Grants, after allowing for timing of project movements in these areas.
- 4.2.4 **Usable Reserves** - The Council has a track record of sound financial management. An integral part of the Council's financial strategy is to ensure that usable reserves are maintained at a healthy level. Usable reserves are split into two main categories; revenue reserves (the General Fund and Earmarked reserves) and unallocated capital reserves (i.e. Capital Receipts Reserve and Capital Grants Unapplied Reserve). During 2012/13 the total value of the Council's usable revenue and capital reserves decreased from £27.723m (at 1 April 2012) to £24.732m (at 31 March 2013), a net decrease of £2.991m. Further details regarding the movement on reserves during the year are provided on page 11 of the Statement of Accounts.
- 4.2.5 **Pension Fund** - The Local Government Pension Scheme is a national statutory scheme which, for Suffolk authorities, is administered by Suffolk County Council. Annual scheme valuations based on International Accounting Standards (IAS 19) are undertaken for the purposes of the Council's annual financial statements. As at 31 March 2013, the Council's IAS19 pension valuation disclosed an overall fund deficit of £13.576m, a deterioration of £2.894m compared to the deficit at the start of the financial year (£10.682m). This increase in liability is primarily because the financial assumptions at March 2013 were less favourable than those at March 2012.
- 4.2.6 **Treasury Management** - There has been no let up in the historically low interest rates which have significantly impacted upon the Council's investment income. Budgeted net investment income for 2012/13 was £0.517m. Actual net investment income achieved during the year was £0.567m (reflecting an average rate of return for the period of 2.7%), an overachievement in net investment income of £0.050m. This was due primarily to higher than expected cash holdings arising from underspends and project/budget slippage on the capital programme. During 2012/13 the Council did not undertake any new borrowing, and its total borrowing remains at £4m.

### **4.3 Annual Governance Statement**

- 4.3.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is undertaken in line with the CIPFA/SOLACE '*Delivering Good Governance in Local Government Framework*' guidance. The outcome of this review forms the basis of the Annual Governance Statement (AGS) which was considered earlier on the agenda. The AGS does not form part of the Statement of Accounts (and is not covered by the Chief Finance Officer's certification or the audit report) but will be included alongside it in the final published accounts.

### **4.4 Conclusion**

- 4.4.1 Forest Heath, like almost every public and private sector organisation in the Country, continues to face significant financial challenges. Within this climate the Council has striven to drive out costs whilst continuing to maintain services to the public. In view of the significant financial challenges presented by the 2010 Comprehensive Spending Review and the resulting reductions in Government grant funding, the budget underspend in 2012/13 was a positive result. Officers took action where possible to reduce expenditure during the year, in order to plan for future cuts. The challenge continues as service demand increases in many areas and projected Government funding levels continue to fall.

### **5. Other Options considered**

- 5.1 Not applicable.

### **6. Community Impact**

- 6.1 **Crime and Disorder Impact** (*including Section 17 of the Crime and Disorder Act 1998*)

None

- 6.2 **Diversity and Equality Impact** (*including the findings of the Equality Impact Assessment*)

None

- 6.3 **Sustainability Impact** (*including completing a Sustainability Impact Assessment*)

### **7. Consultation** (*refer to the Consultation and Community Engagement Strategy*)

- 7.1 Not applicable

### **8. Financial and Resource implications** (*including asset management implications*)

- 8.1 This report presents the Council's 2012/13 Statement of Accounts for committee scrutiny and approval and includes a summary of financial highlights for the 2012/13 financial year.

**9. Risk/Opportunity Assessment** (*potential hazards or opportunities affecting corporate, service or project objectives*)

<b>Risk area</b>	<b>Inherent level of Risk</b> (before controls)	<b>Controls</b>	<b>Residual Risk</b> (after controls)
	High/Medium/Low		High/Medium/Low
Revenue and capital budget management - failure to achieve projected income or expenditure exceeds approved budgets.	High	<ul style="list-style-type: none"> <li>• Budgets reflect economic situation facing the Council</li> <li>• Clear responsibilities for budget monitoring and control</li> <li>• Annual DRIVE efficiency programme used to deliver required budget savings</li> <li>• Medium term financial planning to capture longer term budget implications</li> </ul>	Medium

**10. Legal and policy implications**

- 10.1 Local Government Finance Act 1992 – balanced budget requirement and adequacy of reserves
- 10.2 Local Government Act 1972 – requirement for the proper administration of financial affairs
- 10.3 Accounts and Audit Regulations 2011 - requirements for the reporting and approval of the Council’s annual financial statements.

**11. Ward(s) affected**

- 11.1 All

**12. Background papers**

- 12.1 Budget and Council Tax: 2012/13 (Council 1 March 2012 - COU12/556)
- 12.2 Budget Outturn and Financial Highlights Report 2012/13 (Special Council 12 June 2013 – COU13/000)

**13. Documents attached**

- 13.1 Appendix A - Statement of Accounts 2012/13