

Agenda Item No: 12 **Report No:** 132/14
Report Title: Statement of Accounts 2013/2014
Report To: Audit and Standards Committee **Date:** 22 September 2014
Ward(s) Affected: All
Report By: Director of Finance
Contact Officer(s)-

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Purpose of Report:

To present the Statement of Accounts 2013/2014 for approval following audit.

Officers Recommendation:

1. To approve the Statement of Accounts 2013/2014, with the Chair signing on the Committee's behalf.
 2. To note the contents of this report.
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Reasons for Recommendations

- 1 The Accounts and Audit Regulations 2011 require the Director of Finance and councillors to certify and approve an audited set of accounts for publication by no later than 30 September.

Information

2 Approval of the Accounts

- 2.1 The Audit and Standards Committee is required to approve the Council's statutory annual Accounts, which include statements of its income and expenditure for the year and its balance sheet at the year end. The requirement stems from the Council's Constitution, the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting published each year by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.2 The Accounts for 2013/2014 continue to be produced in accordance with International Financial Reporting Standards (IFRS). Unlike in previous years, there have been no significant changes to the accounting requirements for Lewes District Council in 2013/2014.

- 2.3** The 'Statement of Accounts 2013/2014 document' includes both the formal accounts which are subject to audit, as well as supplementary information (eg a narrative to explain, in simple terms, the year's key financial information).
- 2.4** A report to the meeting of the Audit and Standards Committee on 23 June 2014 explained that the Director of Finance would approve a draft Statement of Accounts on 30 June 2014, the latest date permitted by the Accounts and Audit Regulations, and present it to the Council's external auditors (BDO) for audit. This took place and BDO commenced their audit at the beginning of July.
- 2.5** BDO's work has been substantially completed at the time of writing this report. As BDO have noted in their report to this meeting of the Audit and Standards Committee, they anticipate, subject to satisfactory completion of outstanding work, issuing an unqualified true and fair opinion on the financial statements for the year. This means that the Council's independent Auditor considers that the Council's financial statements give a true and fair view, in accordance with appropriate legislation and relevant accounting guidance, of the financial position of the Council at 31 March 2014 and its income and expenditure for the year.
- 2.6** BDO's report sets out in detail the results of their accounts audit work. In some cases (particularly in respect of the accounting treatment of HRA improvements and depreciation following the revaluation of assets) BDO considered that the information provided within the draft accounting statements and accompanying notes departed from the expected accounting practice and presentation. These departures had no impact on the Council's overall financial performance during the year or its useable reserves and balances. Following discussion, officers have been content to make amendments and these are incorporated in the final Statement of Accounts 2013/2014 which is attached at Appendix 2.
- 2.7** An overview of the Statement of Accounts 2013/2014 is given in Appendix 1. It is recommended that the Audit and Standards Committee should approve the Statement of Accounts, with the Chair signing on its behalf. Following approval, the Director of Finance will certify the Statement of Accounts and BDO will release their formal audit certificate. The accounts will then be published by the statutory deadline of 30 September. In order to minimise costs, a very limited number of paper copies of the Statement of Accounts will be produced. However, it will be made available for download from the Council's website and any interested person who requests a printed copy will be sent one.

Financial Implications

- 3** There are no additional financial implications arising from this report.

Sustainability Implications

- 4** The Sustainability Screening process for this Report took place in September 2014. There are no implications for sustainability.

Risk Management Implications

- 5** I have completed the Risk Management Questionnaire. The issues covered by the recommendations are not significant in terms of risk.

Equality Screening

- 6 The Statement of Accounts can be made available in a variety of formats and in a different language on request. The Equality Screening process for this Report took place in September 2014. There are no implications for equality.

Background Papers

- 7 Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and Guidance Notes for Practitioners.

Appendices

Appendix 1 – Overview of Statement of Accounts 2013/2014

Appendix 2 – Audited Statement of Accounts 2013/2014

Overview of Statement of Accounts 2013/2014

The Statement of Accounts incorporates the formal accounting statements which have been produced in accordance with International Financial Reports Standards (IFRS). It consists of the key elements described below. **NB page references relate to the Statement of Accounts document, not the Agenda page numbers.**

1. Explanatory Foreword (pages 3 to 7)

This Foreword does not form part of the formal Statement of Accounts and is not subject to audit. Because of the complexity of the formal financial statements, it is helpful to provide a brief explanation of the Council's financial activities for 2013/2014 in 'plain English', although the use of some technical terms is unavoidable.

This section explains:

- a reduction of £0.146m in net General Fund spending compared with the budget
- an increase of £1.516m in net HRA spending compared with the budget, of which £0.686m represents money set aside for future years' expenditure
- that the total value of capital expenditure was £10.504m and identifies the most significant projects
- the total value of the Council's assets increased by £5.979m in the year

2. Movement in Reserves Statement (pages 8 to 9)

This Statement shows:

- the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those the Council can apply to fund expenditure or reduce local taxation) and other reserves. The surplus on the provision of services (£7.535m in 2013/2014) shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement.
- that reversing adjustments (£7.549m in 2013/2014) are made through the accounts to ensure that technical accounting entries have no impact on the basis under which the General Fund and Housing Revenue Account are funded (Council Tax, rents, grants, etc).
- the balances held by the General Fund (£2.341m), Housing Revenue Account (£2.728m) and in earmarked reserves (£10.634m) at 31 March 2014.

3. Comprehensive Income and Expenditure Statement (page 10)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation in accordance with regulations. There are three sections:

- the first section provides information on the cost of operating all of the Council's services, including housing, net of specific grants and income

from fees and charges. The service categories used are in accordance with accounting guidance, rather than the Council's own 'portfolios'. The net cost of services in 2013/2014 was £4.531m, net of an exceptional technical 'income' item of £7.706m in respect of the valuation of housing assets.

- the second section comprises items of income and expenditure relating to the Council as a whole and not to any individual service. This includes income from the Council Tax. After taking these items into account the overall 'surplus' on the provision of services in 2013/2014 is £7.535m.
- the third section introduces other items that have contributed to the movement in the net worth of the Council (ie the total value of its assets less its liabilities). The total of this 'other income and expenditure' in 2013/2014 was a net cost of £1.556m, mainly comprising actuarial losses in respect of the Pension Fund.

The combination of all three sections in the Statement shows that the total value of comprehensive income in the year, on an accounting rather than funding basis, exceeded expenditure by £5.979m.

4. Balance Sheet (pages 11 to 12)

This provides a snapshot of the Council's financial position as at 31 March 2014 and includes the General Fund and Housing Revenue Account balances. It sets out what the Council owns, owes and is owed at that point in time, along with details of its balances and reserves.

Significant items are:

- Property, Plant and Equipment – valued at £212.050m. The Council commissions a complete independent valuation of its property assets every five years (different cycles apply to General Fund and HRA property), with the valuer also carrying out a 'desk-top' review annually to ensure that the impact of significant changes in the property market are reflected fairly in the Balance Sheet. When valuing Council-owned housing, the valuer takes into account the fact that each house or flat is being used as social housing and applies a 'discount factor' against the open-market value.
- Heritage Assets – the value of these assets, which the Council holds principally for their contribution to knowledge and culture, was £3.087m.
- Short Term Investments - £5.006m.
- Short Term Debtors - £3.732m. This includes amounts owed by Government departments (grant payments, monthly VAT reimbursement, etc), as well as individuals (sundry debtors, council taxpayers, housing tenants)
- Cash and Cash Equivalents - £5.886m, of which £5.420m was held in total across 3 deposit accounts
- Short Term Creditors - £4.519m. This includes amounts owed to Government departments and other local authorities as well as suppliers and contractors
- Long Term Borrowing - £56.673m. The amount of long-term borrowing remained unchanged through the year. The debt portfolio had been

established at the end of 2011/2012 as a consequence of the national reform of housing finance, and there was no reason to move away from that position in 2012/2013 or 2013/2014.

- Defined Pension Liability - £23.822m. This is the future liability to pay pensions to employees netted down by the value of assets held in the pension fund. The liability has increased by £6.844m in 2013/2014 primarily as a result of financial assumptions made by the actuary at 31 March 2014 being less favourable than a year previously (for example falling bond yields).
- Total Usable Reserves - £20.723m. Over the course of the year, £0.014m was drawn from reserves in net terms.

5. Cash Flow Statement (page 13)

This summarises the total receipts and payments of cash arising from the Council's activities in the year ie it excludes amounts which the Council owes but has not yet paid and is owed but has not yet received.

6. Notes to the Financial Statements (pages 14 to 91)

These explain the significant items within each of the core elements along with an explanation of the accounting policies that were followed when compiling and presenting the Accounts.

7. Housing Revenue Account and supporting notes (pages 92 to 98)

This statutory 'ring-fenced' account reports for the year on the management of the Council's housing stock. It shows the major elements of housing running costs: maintenance (£3.736m in 2013/2014), management (£2.846m), interest paid on borrowing (£1.855m) and how these are met by rents (£14.507m), service charges (£0.948m) and other income (£0.432m). After allowing for capital expenditure funded from the HRA in the year (£1.517m) and setting aside funds for the future repayment of borrowing (£1.185m), the 'true' position on the HRA was a deficit of £0.739m in the year, funded from the HRA Balance.

8. Collection Fund Statement and supporting notes (pages 99 to 101)

This shows the Council's transactions in relation to the collection of non-domestic rates (£23.873m) and council tax (£57.207m), and their payment over to the Government and 'precepting authorities' of East Sussex County Council (£39.887m), Sussex Police and Crime Commissioner (£4.767m), East Sussex Fire Authority (£2.819m) and Lewes District Council (£9.182m).

9. Statement of Responsibilities for the Statement of Accounts (page 102)

This explains the responsibilities of the Council and the Director of Finance in respect of the management and reporting of financial affairs.

10. Independent Auditor's Report (pages 103 to 106)

As set out in BDO's report to this meeting of the Audit and Standards Committee, this explains the scope of BDO's audit and carries the auditor's formal certificate.

11. Annual Governance Statement (AGS) (pages 107 to 114)

A separate report to this meeting presents the AGS to the Audit and Standards Committee for approval. The Accounts and Audit Regulations require the AGS to 'accompany' the formal Statement of Accounts, and the draft document has been incorporated at this stage. It should be noted that the AGS is not covered by the Independent Auditor's Report.