

Agenda Item No: 7

Report to: Audit Committee

Date of Meeting: 20 September 2012

Report Title: Final Accounts 2011-12

Report By: Peter Grace
Head of Finance

Purpose of Report

The Audit Committee are asked to approve the Statement of Accounts (2011-12) on behalf of the Council in accordance with the Accounts & Audit Regulations 2012.

Recommendation(s)

1. The draft Statement of Accounts be approved and a copy signed by the Chair of the Audit Committee in accordance with the Accounts & Audit Regulations 2012.

Reasons for Recommendations

Compliance with statutory requirements and good practice. The Council is accountable for the use of public money and continuously seeks to improve Value for Money.

Introduction

1. The Accounts & Audit Regulations 2012 require the Council to approve the Statement of Accounts by the 30 September each year. This Committee has delegated authority to approve the accounts on behalf of the Council. The audited Financial report including the Statement of Accounts is attached.
2. The Council's external auditors PKF have finished auditing the full accounts and the Auditors Report is contained within the statements.

Statement of Accounts

3. The Statement of Accounts as defined in the regulations and 2011 Code of Practice comprises:
 - Movement in Reserves
 - Comprehensive Income and Expenditure Statement
 - Balance Sheet
 - Cash Flow Statement
 - Notes to the Core Financial Statements
 - The Collection Fund Income and Expenditure Account
4. The Statement of Accounts, in common with those for all other local authorities, is compiled in line with International Financial Reporting Standards (IFRS).
5. The Statement of Accounts is contained within the Financial report attached in Appendix A.

The Accounting Statements

6. The Movement in Reserves shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The line entitled “Net Increase / Decrease before Transfers to Earmarked Reserves” shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
7. The Comprehensive Income and Expenditure 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. Councils raise taxation to cover expenditure in accordance with regulations, and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

8. The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first grouping is of usable reserves, i.e. those reserves that the Council may use to provide services. The second grouping includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”. Statement of Total Recognised Gains and Losses brings together all the gains and losses of the Council for the year and shows the aggregate increase or decrease in its net worth.
9. The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of the services provided by the Council. Investing activities represent the amount to which cash outflows have been made for resources which are intended to contribute towards the Council’s future service delivery. Cash flows arising from financing activity are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
10. The Collection Fund Income and Expenditure Account produced a surplus in the year of £795,000. There was a surplus of £296,000 carried forward from the previous year. The cumulative surplus at the 31st March 2012 is therefore £1,091,000. An in year Council Tax collection rate of 96.8% was achieved in 2011-12 (96.4% in 2010-11) which is the highest collection rate achieved since 1993 when Council Tax was introduced.
11. Further interpretation of the accounts highlighting key issues is contained within the explanatory foreword of the Statement of Accounts.

Financial Position

12. The outturn position was total service expenditure of £16.182 million. The Cost of Services in the Comprehensive Income and Expenditure Statement is £25.086 million which 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.
13. The reconciliation between the Total Service Expenditure and the Cost of Services in the Comprehensive Income and Expenditure Statement can be found in note 45.
14. The Revised Budget assumed a contribution to the General Reserve of £1,286,272. The outturn results in £2,907,047 (including carry forwards) being credited to the General Reserve. This balance on the General Reserve is £3,097,000 (including carry forwards of £553,000). The General Fund working balance remains at £500,000.

Reserves

15. The Medium Term Financial Strategy identified the need for any underspend to be used as an opportunity to strengthen reserves. The under spend in 2011/12 of £1,620,775 (including one off adjustments and carry forwards) has been transferred to the General Reserve in order to meet expected shortfalls in income in 2013/14 and beyond.

Pensions

16. An accounting standard (IAS 19) requires Councils (and businesses) to disclose the deficits/surpluses in their pension funds on an annual basis and to include the deficit within the Balance sheet. This necessitates actuaries identifying the assets and liabilities of the respective institutions investing within the fund on a point in time basis i.e. what the value of Pension Fund investments were worth on 31 March. It should be noted that this is a snap shot of the pension fund on just one day and that equities and bond prices go up and down on a daily basis.
17. There has been a decline of the balance sheet since last year. This is principally because financial assumptions at 31 March 2012 are less favourable than they were at 31 March 2011. This has the effect of increasing liabilities. Also the previous 12 months have been worse than expected for most investment returns resulting in a negative impact on the assets. The overall effect is that the pension fund has moved from a deficit of £20 million to a deficit of £27 million.
18. East Sussex County Council administers the pension scheme. Full actuarial valuations are carried out on a three yearly basis (last carried out as at 31st March 2011) and Council contribution rates are determined at that time for a three year period.

Financial Strategy

19. The Council's financial standing remains healthy. To maintain this position, against government funding reductions that look set to continue for some years and major uncertainties in the world economy, the Council needs to take opportunities to strengthen reserves where possible whilst continuing to identify further significant efficiencies. Reserves will need to be used cautiously in order to ease the transition to a lower spending Council and to look for invest to save opportunities in order to maintain a balanced budget in the challenging years ahead.

Wards Affected

None

Area(s) Affected

None

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	No
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No

Background Information

Appendix A - Statement of Accounts 2011-12

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