

BUDGET SCRUTINY COMMITTEE 16TH JULY 2013

**DRAFT STATEMENT OF ACCOUNTS INCLUDING ANNUAL
GOVERNANCE STATEMENT 2012/13 PRESENTED TO AUDIT
COMMITTEE ON 26TH JUNE 2013**

**NB: FOR BUDGET SCRUTINY COMMITTEE'S
INFORMATION THIS IS JUST THE COVERING REPORT
OF THE DRAFT STATEMENT OF ACCOUNTS AND THE
FOREWARD PRESENTED TO AUDIT COMMITTEE ON
26TH JUNE 2013**

Agenda Item 11

Committee:	Audit Committee	Agenda Item No.:	11.
Date:	26 th June 2013	Status	Open
Subject:	Draft Statement of Accounts Including Annual Governance Statement 2012/13		
Report by:	Director of Corporate Resources		
Other Officers Involved	SAMT, Accountancy team.		
Director	Director of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council.		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

Strategic Organisational Development.

VALUE FOR MONEY

Effective closure of the Accounts in line with the required timescale is a key element in promoting value for money within an authority.

1 Purpose of the report

- 1.1 To note the provisional outturn position in respect of 2012/13 as set out within the proposed introduction to the Accounts provided by the Chief Financial Officer.
- 1.2 To note that in line with the Accounts and Audit Regulations 2011 that the Chief Financial Officer will sign off the draft Statement of Accounts on behalf of the Council. The draft Statement of Accounts will be submitted for External Audit on the 30th June 2013.

- 1.3 To obtain final approval for the Annual Governance Statement 2012/13 which will be published alongside the Council's Statement of Accounts.
- 1.4. To allow the Audit Committee to consider the draft Statement of Accounts before they are submitted for Audit.

2 Background Information

- 2.1 An amendment to the Accounts and Audit Regulations which came into force in April 2010 significantly changed the process of preparing local authority accounts. In previous financial years local authorities were required to prepare a draft Statement of Accounts within a three month period of the close of the financial year in question (by the end of June). The draft Statement of Accounts was then formally approved by a committee of the Council, before being submitted for External Audit. A final audited version of the accounts incorporating all changes agreed with the external auditors then had to be approved by a committee of the Council before the end of the September (within 6 months of the year end).
- 2.2 The procedures that are now in place are more in line with those which apply to company accounts and Members will now only be requested to approve the annual accounts after the findings of the independent external audit are known. At the end of June the draft accounts will be signed off by the Chief Financial Officer, with the audited accounts being brought back to the meeting of this Committee on the 24 September 2013 for approval on behalf of the Council.
- 2.3 The section below sets out some key details regarding the outturn position in respect of the financial year 2012/13, which is reflected in the draft Statement of Accounts.

3 Summary of Results

- 3.1 A summary of the financial outturn in respect of 2012/13 is provided within the Explanatory Foreword to the Statement of Accounts by the Chief Financial Officer. A copy of the proposed Foreword is attached as Appendix 1 to this report. It should be noted that a further report detailing the variances between the budgeted and the outturn position will be taken to the July meeting of Executive. That report will include detailed explanations of any significant variations between the outturn position and the budget, and will outline any impact of the closure of the 2012/13 Accounts on the approved Medium Term Financial Plan.
- 3.2 It should be noted that within the published accounts themselves - which are the main focus of this report - that the variances between budget and outturn are masked by the fact that the published accounts include

pensions (IAS19), capital charges (depreciation, impairment, gain or losses on disposal of assets) and other accounting adjustments which need to be reflected in the Council's accounts in line with the Code of Practice on Local Government Accounting and International Financial Reporting Standards (IFRS) requirements. While these adjustments are required to reflect good accounting practice and to provide comparable figures with other financial statements (including other local authorities) they do make the published accounts less useful as an internal management review and control tool within the authority. Members should also note that the figures provided within this report remain subject to External Audit.

- 3.3 A draft pre audit version of the Statement of Accounts will be provided for information at Appendix 3. This Statement will be circulated following on from the main report in order to enable some supporting details to be incorporated within the Audit Committee draft. The fact that the draft version is available for the meeting of Audit Committee does demonstrate that the Council has complied with its Accounts closedown procedure and has built into the timetable appropriate time for checking the Statement of Accounts.

4 Annual Governance Statement

- 4.1 The proposed Annual Governance Statement for 2012/13 is attached as **Appendix 2.**

5 Legal Issues

- 5.1 The Statement of Accounts is required to be prepared by the 30th June each year. The Council has now completed the accounts and they will be signed off by the Chief Financial Officer on the 30th June 2013 which will secure compliance with the Council's legal obligations.

6 Financial Implications

- 6.1 The financial implications are set out within the body of the report. Further reports will be brought back to Members setting out the detailed variances in respect of the 2012/13 outturn, and that report will consider whether the evidence from the outturn position will provide the opportunity for budgets in respect of 2013/14 and future years as set out within the Medium Term Financial Plan to be amended.
- 6.2 Members should note that the budgets against which we have monitored the 2012/13 Outturn were those agreed within the Council's Medium Term Financial Plan. The Medium Term Financial Plan gave careful consideration to both the affordability of the budgets that were approved,

and to ensuring that the level of balances remained adequate for purposes of enabling sound financial management. The fact that the outturn position for 2012/13 indicates that these financial targets have been achieved, gives the Council a firm foundation from which to achieve the service delivery and financial targets approved within the Medium Term Financial Plan.

7 Equalities Issues, Human Resource Implications, Environmental Considerations, Crime and Disorder / Community Safety Implications

7.1 There are no direct implications.

8 Risk Management

8.1 There are no issues concerning Risk Management arising directly out of this report

9. Reasons for Recommendations

9.1. To ensure that the Council's draft Statement of Accounts are appropriately approved by the Council, including in particular the endorsement by the Audit Committee of the Annual Governance Statement.

10 Recommendations

10.1 That the Director of Corporate Resources in his capacity as Chief Financial Officer be authorised to sign off the draft 2012/13 accounts on behalf of the Council.

10.2 That the Audited Statement of Accounts 2012/13 be brought to this Committee at its meeting on 24 September 2013 for approval on behalf of the Council.

10.3. That the Committee note and approve the final version of the Annual Governance Statement in respect of 2012/13 which is attached as **Appendix 2** to this report.

10.4 That the Committee note the Explanatory Foreword from the Chief Financial Officer which it is intended to incorporate within the Council's Statement of Accounts.

Background Documents

Location

Final Account Working Papers

Accountancy Section

APPENDIX 1

Introduction by the Director of Corporate Resources

As the Council's Chief Financial Officer, it is my pleasure to provide this foreword to Bolsover District Council's Statement of Accounts for 2012/13. The Statement of Accounts covers the period 1 April 2012 to 31 March 2013 and this foreword provides a summary of the position of each of the main accounts of the Council and highlights specific issues regarding the Council's financial position as at 31 March 2013.

General Fund

The Council's main revenue account is known as the General Fund. This shows the cost of all services with the exception of Council Housing. The General Fund budget is supported by the council tax which in 2012/13 was held at 2011/12 levels. The council tax freeze meant that Bolsover District Council's Band D Council Tax charge was £158.15 for the year.

It was always clear that the 2012/13 financial year would present a challenge to the Council to demonstrate strong financial control whilst maintaining high quality services for the residents of Bolsover. The 2012/13 budget was the second year in which the Council has been required to operate within the financial settlement established by the Government's Comprehensive Spending Review of Autumn 2010. Bolsover District Council suffered a reduction in Government Grant of £0.727m in 2012/13 which together with other financial costs resulted in a budget shortfall at the outset of the year of £1.496m.

Due to the scale of the grant cuts the Council qualified for Transition Grant (£1.93m) from the Government to assist the Council with the costs of achieving efficiency and savings targets. The budget agreed in the February of 2012 set the Council some challenging financial targets. While an appropriate range of savings measures had been agreed it was crucial that these were implemented and generated financial savings during the course of the year.

During the year the following major changes were introduced in order to protect services whilst delivering the necessary financial savings:

- The third phase of the Strategic Alliance work was commenced which saw the two councils (Bolsover District Council and North East Derbyshire District Council) combine the Assistant Director management level with effect from April 2012.
- A Service Review programme for Corporate Resources and Street Scene was ongoing during the financial year.
- A joint Environmental Health Service was in place from March 2012.
- The Council completed the transfer of the Kissinggate Leisure Centre to Shirebrook Parish Council.
- The asset rationalisation plan saw the relocation of the Council's main administration base from Sherwood Lodge, Bolsover to The Arc, Clowne.

Across the Council departments reviewed the manner in which they delivered services and re-engineered processes and procedures in order to generate efficiency savings.

A range of secondments between Bolsover District Council and North East Derbyshire District Council were approved and a number of officers undertook a “shared” role across the two Councils as vacant posts arose.

A vacancy freeze was maintained throughout the year.

A combination of the above actions together with effective budget monitoring and a Member led efficiency process ensured the necessary savings were identified and achieved with minimal impact upon service delivery. The revised budget process demonstrated that the financial position would ensure there was no call upon General Fund balances and as the budget monitoring progressed it became clear that the ongoing efficiency measures and careful budget management would deliver an under spend in the year. The Council was therefore able to meet all its efficiency and savings targets, draw less from the Transition Grant than planned and put £0.053m into the General Fund balances at the year end. This means that the balance on the General Fund Reserve has been increased to £1.442m, which is now at a more appropriate level for the Council.

While the financial position of the General Fund continues to improve it needs to be recognised that the current level of balances is adequate rather than generous and that against the background of ongoing reductions in the level of Government funding it is crucial that the Council continues to maintain robust budgetary control and secure its ongoing savings targets.

The Housing Revenue Account (HRA)

The Housing Revenue Account is a legally separate account, which ring fences all council house rents. Rental income is then used to meet the costs of managing and maintaining the Council’s housing stock. The Council continues to operate in accordance with the Government rent restructuring criteria which required an average increase in rents to our tenants of 9% for 2012/13.

The HRA Self Financing reform was agreed and implemented on 28 March 2012 with 2012/13 being the first year of operation for the reformed system. The changes took the Council out of the national subsidy system which required a commitment to pay over annual negative subsidy (£5.3m in 2011/12) based on an estimated rent surplus. This was replaced by the costs of financing of the loan that was undertaken to buy the Council out of the subsidy system. For BDC the additional loan that was borrowed to meet the Self Financing settlement in March 2012 was £94.386m. The Council borrowed £88m to cover the settlement from the Public Works Loan Board with the balance from utilising positive cash flows from reserves and balances. The PWLB loans secured better interest rates than

anticipated and the interest savings were utilised to commence the debt repayment earlier than originally planned (£1m) and set up an earmarked reserve to finance new housing projects £1m.

The outturn for the Housing Revenue Account was a net surplus of £0.752m which was in line with the revised budget. This leaves the HRA balances at £1.776m. During 2013/14 the Council's Medium Term Financial Plan is aiming to further increase the level of HRA balances by £0.024m. This should see the level of HRA balances at a figure of £1.800m which will give the Council a more robust financial position - which is appropriate under the self financing regime - from which to manage its housing stock for the benefit of our tenants.

Capital expenditure and resources

The Council has invested £10.932m on capital schemes in the year. The main capital schemes delivered in 2012/13 by the Council were:

- Project Horizon (The relocation of the Council's administration accommodation to Clowne) £5.057m
- Shirebrook Enterprise Centre (The Tangent) £1.867m
- Investment in the Council's housing stock of £2.779m;
- Private Sector Disabled Facilities Grants and Home Improvement Grants of £0.202m
- Vehicle Replacement £0.403m
- Other capital schemes £0.624m

The capital programme was financed in the year utilising major repairs reserve, grants, operating leases, prudential borrowing, revenue contributions and usable capital receipts from asset sales. Prudential Borrowing was used as a temporary measure pending securing capital receipts which it is anticipated will be received in the 2013/14 financial year.

Treasury Management

At 31 March 2013, the Council had a total capital financing requirement of £115.799m. This is a net increase in the year of £3.084m. The net increase reflects prudential borrowing of £5.008m and debt repayments of £1.924m. The main element of the prudential borrowing relates to the acquisition and refurbishment of the new Council offices at Clowne (£4.907m) and replacement vehicles via finance lease of (£0.101m). The level of debt repayment reflects the Council's commitment to repay the HRA self financing loan over the 30 period of the business plan (£1m), the debt outstanding on council house sales (£0.393m) alongside the approved scheduled debt repayments in the year.

To meet the capital financing requirement the Council has external debt from loans from the PWLB (£107.100m) and from finance leases (£0.173m). The

remainder is effectively financed from utilising Council reserves and balances (£8.526m).

The amount of interest paid by the Council in 2012/13 amounted to £3.722m and interest earned on balances during the year amounted to £0.152m.

Assets

During 2012/13 the main changes with regards to the Council's assets arose from the transfer of the Kissingate Leisure Centre and land to Shirebrook Parish Council, the sale of 26 council dwellings, the demolition of 26 Tarran properties and the completion of 19 new build Council dwellings at Langwith Junction.

Asset valuation changes have no impact on the Council Tax Payer or Housing Tenants but show as an increase or reduction in the net worth on the Council's Balance Sheet

Reserves and Balances

The Council holds usable reserves and balances totalling £13.184m. These include general reserves of £3.219m (General Fund and Housing Revenue Account general reserves discussed earlier). Additionally, the Council has £2.496m that relates to unapplied revenue and capital grants, earmarked general fund revenue reserves of £4.509m, earmarked HRA reserves of £1.056m, useable capital receipts of £0.019m and £1.885m major repairs reserve at 31 March 2013.

Collection Fund

In 2012/13, £20.044 million of Business Rates income was raised, of which £19.950m was paid over to the Government. The Council received £5.514m of redistributed non-domestic rates.

The Collection Fund Account has a deficit balance of £0.046m at 31 March 2013. The deficit will be collected from the precept authorities during 2013/14. The Council's share of the deficit is £0.008m.

Pension Fund Reserve

The Council's position with regard to the pension fund administered on its behalf by Derbyshire County Council has seen an increase in the liabilities of £14.771m and an increase in the fair value of assets of £7.201m. The net movement is an increase in liability of the fund of £7.57m. The increase in the net liability is mainly caused by actuarial losses on assets and liabilities. Together with the Crematorium pension deficit the fund shows a net increase in the pension liability of the Council by £7.573m to £40.053m at 31 March 2013.

Planned Future Developments

The Council plans its finances over the medium term (three years) and regularly reviews its spending plans in light of changing priorities, external factors and projected financial forecasts to ensure that they remain robust and sustainable over the longer term.

General Fund

The Government's spending review of 2010 meant that the Council has seen a reduction in its revenue grants of £0.299m in 2013/14 with further reductions of £0.832m anticipated for 2014/15. Given the work that has already been undertaken the Council is confident of delivering the required savings needed to balance the budget in 2013/14 and is considering how the 2014/15 savings will be delivered. Some of the savings areas being delivered in 2013/14 by the Council are:

- Asset Management - Consolidation of the savings secured from Project Horizon together with a further review of the Council's remaining assets
- Leisure Services - Programme to deliver savings on operational costs
- Develop and implement an Income Generation Strategy
- Completion of the Street Scene and Garage Review
- Extend the scope of the work undertaken through the Strategic Alliance
- A peer review of the Strategic Alliance including the Council's growth strategy and corporate aims.

The Council is also mindful of the following areas that will impact upon its financial position in 2013/14 or the near future:

- The impact of first year of both the new Business Rates retention scheme and the Localised Council Tax Benefits are being monitored closely both to manage in year expenditure and to inform our financial planning concerning future years.
- The impact on services arising from the Governments Welfare Reforms during 2013.
- The Governments 2013 comprehensive spending review is anticipated to require further grant reductions to local government
- The result of the Actuarial revaluation of the Derbyshire Local Government Pension Scheme is due to be announced in October/November of this year and will impact on the Councils contributions to the pension fund from April 2014. Early indications are that further increases in contributions may be required.

Housing Revenue Account

As part of the HRA 30 year business plan the Council has agreed to undertake a full stock condition survey during 2013/14 in order to gather more robust data on

the condition of the housing stock. Future investment plans will be informed by the information secured by this survey.

The Council has also committed to build 35 new dwellings New Houghton which will be a mix of 20 bungalows and 15 houses.

Summary

While 2012/13 has been difficult year in financial terms there is a clear awareness throughout the Council of the challenges that the authority is facing. A strong and effective culture of financial management across the authority is being developed which it is anticipated will enable us to deliver both a balanced financial outturn together with a reduction in the underlying level of expenditure whilst maintaining standards of service. We will continue to work to ensure that this progress is maintained in 2013/14 and future years against the background of a more challenging financial environment for local government. As a Council we are determined to work with and to meet the needs and expectations of local residents, our tenants and our key partners.

Finally, we realise the value of closing our accounts promptly to provide up to date financial information on which to base our future plans. It needs, however, to be recognised that preparing these accounts becomes increasingly complex every year as the requirements of good accounting practice continue to grow more stringent. The staff involved in this process, deserve credit for ensuring that these financial statements have been produced in a timely and professional manner.

Bryan Mason
Chief Financial Officer