REPORT NO: 220/2013

AUDIT & RISK COMMITTEE

24 September 2013

STATEMENT OF ACCOUNTS 2012/13

Report of the Assistant Director (Finance)

STRATEGIC AIM:	**Delivering Council services within our Medium Term Financial Plan**

1. PURPOSE OF THE REPORT

1.1 This report presents the statutory Statement of Accounts 2012/13 in the form prescribed by regulation (Appendix A).

2. RECOMMENDATIONS

2.1 **That the Committee approves the Statement of Accounts for 2012/13 at Appendix A including the Annual Governance Statement.**

3. REASONS FOR THE RECOMMENDATIONS

3.1 To meet the statutory requirement for the council to approve and publish its annual statement of accounts by 30th September 2013.

4. BACKGROUND

4.1 The Statement of Accounts (SoA) is produced in line with International Financial Reporting Standards (IFRS) requirements which determine the contents and format of the Statement. There are no major changes in the IFRS requirements from those applicable in the previous year.

4.2 The financial outturn reported to Cabinet on 4 June (report 122/2013) is incorporated into the SoA and Note 25 on pages 43 to 46 of Part 2 of the SoA in Appendix A reconciles the reported figure to the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

4.3 The SoA was certified as presenting a true and fair view of the authority's financial position by the Strategic Director of Resources on 28th June 2013 (thus complying with the Accounts and Audit Regulations 2011). The SoA together with supporting working papers were then submitted to the external auditor to start their audit on 1st July and questions and issued raised during the course of the audit were logged and responded to promptly. The external auditor will report separately to this meeting his findings from the audit and his opinion on whether the accounts provide a true and fair view.

4.4 At the Audit and Risk Committee meeting held on 16th April, the Committee were informed that the audit fee for 2012/13 was reduced following the outsourcing of the external audit to KPMG LLP from the Audit Commission. Two of the conditions of the reduced fee were that the audit would carried out on a much reduced timescale that will not allow for several visits by the auditors and that the Council would provide all necessary documentation as set out in the Accounts Audit Protocol up front.

4.5 The Assistant Director is pleased to report that the Council has been informed by the external auditors that subject to finalisation of the audit, it is unlikely that any additional fees will be incurred.

4.6 At the Audit and Risk Committee meeting held on 16th April an Annual Governance Statement was agreed for inclusion within the Statement of Accounts (report 99/2013), subject to the addition of additional information outlined in paragraph 4.4 of the report. Those additional items were agreed with the Chairman of the committee and the Annual Governance Statement submitted to the external auditor with the Statement of Accounts by 30th June 2013 in accordance with the regulatory requirements.

5. GENERAL FUND

5.1 The Movement in Reserves Statement (MIRS) on page 3 of Part 2 of the SoA summarises the position on the General Fund for 2012/13. The IFRS requirements mean that not all income and expenditure passes though the Comprehensive Income and Expenditure Statement (CIES), these are adjusted within MIRS. The table below shows the elements that are required to be adjusted:

	£000	£000
Deficit on CIES		2,585
Items not in CIES charged to revenue:		
Provision for debt repayment	1,144	
Capital expenditure met directly from revenue	51	
		1,195
Take out items in CIES not charged against revenue:		
Depreciation of fixed assets	(1,890)	
Capital expenditure that does not create fixed assets	(784)	
Impairment of fixed assets	(5,910)	
Removal of notional pension costs	(588)	
		(9,172)
Take out items in CIES not credited to revenue		
Capital grants and contributions	4,281	
Increased surplus on Collection Fund	130	
Gains arising from fair value of non-PWLB debt	117	
Reduction in value of accrued leave	28	
		4,556
		(836)
Transfer from earmarked reserves		(737)
Surplus for year		(1,573)

5.2 The provisional outturn reported to Cabinet on 4 June 2013 (Report 122/2013) showed an expected surplus for the year of £1.588 million. The reduction of £15k in the Statement of Accounts reflects a correction of the amount included within non ring-fenced grants in the outturn report relating to Revenue Support Grant.

6. BALANCE SHEET

6.1 There are a number of items in the Balance Sheet (page 5) that require further explanation and these are detailed below.

6.2 Investment Property

New guidance on the classification of fixed assets stipulates that assets can only be treated as Investment Properties where the Council is able to demonstrate that they are held solely to generate a return on the investment and that they form part of a wider investment portfolio. Following receipt of the guidance a review was undertaken that resulted in those assets previously shown in this category being re-designated as either Other Land and Building, Surplus Assets or Assets Held for Sale.

Those assets affected were:

Asset	Reclassified as:
Pinewood	Assets held for sale
Retail unit, Church Passage	Surplus assets
Oakham Day Centre	Assets held for sale
Pit Lane, Ketton	Other land and buildings
Westgate supermarket site	Other land and buildings
Land at Grampian Way Oakham	Other land and buildings
Parkfield/Hill Road Oakham	Surplus assets
Balk Road/Spinney Lane Ryhall	Community assets
Ashwell Business Park	Other land and buildings

6.3 Long-term borrowing

The increase in 2012/13 represents the loan received from the Local Enterprise Partnership to assist with the acquisition of the former Ashwell Prison site and its redevelopment as Oakham Enterprise Park. The loan of £630,000 is repayable after 10 years and is interest free. This effectively means that the Council benefits by £117,000 from the saving in interest it would have paid over the ten year period f it borrowed the same amount commercially. The notional saving is shown in the Financial Instruments Adjustment Account.

6.4 Usable Reserves

These are listed in Note 20 on page 38 of the Statement of Accounts. All of these reserves are available for use and the note outlines the purpose of each reserve. There is an overall reduction in the total of usable reserves in the year due to the use of capital reserves to finance schemes within the capital programme and the use of earmarked reserves to meet spending on the specified purpose.

6.5 Unusable Reserves

All unusable reserves arise from the statutory accounting requirements that the Council has to follow to meet IFRS standards. None of these reserves are available for use. Note 21 on page 39 provides details of movements on each reserve during the year.

The most significant movement is in the Pensions Reserve where the net liability has increased by just under £4.5 million. However this should be regarded as a long-term liability as it measures, based on actuarial estimates, the potential future benefits payable to past and current employees compared to the resources set aside to meet them. The statutory arrangements for the pension scheme will ensure that funding will have been set aside by the time the benefits come to be paid. The Council’s Medium Term Financial Plan anticipates an annual increase in employers’ contributions to the fund that will contribute to reducing the overall liability.

The Revaluation Reserve reflects changes in the valuation of fixed assets. When an individual asset value increases the Revaluation Reserve is credited, if the asset value subsequently reduces the amount held in the Revaluation Reserve for the asset is reduced.

The Capital Adjustment Account is credited with amounts set aside by the Council to finance the capital programme and charged with any depreciation or impairment of fixed assets.

7. OTHER ITEMS

7.1 Schools

The treatment of schools within the Council's accounts is outlined in Note 3 on page 24 of the Statement of Accounts. If a school converts to Academy status the treatment of the assets in the accounts are amended with any land and buildings being de-recognised and this reduces the value of the fixed assets in the Balance Sheet.

In 2012/13 it was agreed between the respective parties that the Rutland County College property would be let to Casterton Business and Enterprise College (CBEC) under a long-term (25 year) lease arrangement at a peppercorn rent. Due to delays in completing the necessary documentation it was agreed that in the short-term the arrangements should be operated under a temporary licence and that when completed the lease will be backdated to the date of occupancy (September 2012). In view of the intention to complete the lease the Council has taken the view that the substance of the arrangement effectively means that property should be accounted for in the same way as schools having Academy status and the asset has therefore been de-recognised within the 2012/13 accounts in line with IAS17. This treatment has been agreed with the external auditor.

8. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	**Low**	**The Statement of Accounts is approved within the statutory timetable for publication**
Viability	**Low**	**There are no implications**
Finance	**Low**	**The Statement of Accounts is produced to meet regulatory requirements**
Profile	**Medium**	**The Statement of Accounts has attracted little public interest but this is increasing**
Equality and Diversity	**Low**	**No impact assessment has been carried out as there are no direct implications**

Background Papers
None

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A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.