

30 September 2014

Audit and Scrutiny Committee

Statement of Accounts 2013/14

Report of: *Jo-Anne Ireland, Acting Chief Executive*

Wards Affected: *None*

This report is: *Public*

1. Executive Summary

- 1.1 This report presents the Council's 2013/14 Statement of Accounts for approval. There have been a number of changes to the draft Statement presented to the Committee in July. The external audit results report is elsewhere on the agenda.

2. Recommendation(s)

- 2.1 That Members approve the Statement of Accounts for 2013/14.**

3. Introduction and Background

- 3.1 The main sections in the Statement are:

a) Explanatory Foreword

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts.

b) Movement in Reserves Statement

This is a summary of the movements in the financial year within the different reserves held by the Council. The reserves are analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

c) Comprehensive Income and Expenditure Statement

This account brings together the expenditure and income relating to all of the services for which the Council is responsible and demonstrates how the net cost for the year has been financed.

d) Balance Sheet

This sets out the financial position of the Authority as at 31 March 2014. The Balance Sheet reflects the balances and reserves, and net current assets employed in all of its operations, together with summarised information on any fixed assets held.

e) Cash Flow Statement

This summarises the Council's cash transactions throughout the year.

f) Notes to the Core Financial Statements including Accounting Policies

These provide supporting analysis to the Core Financial Statements. The Accounting Policies outline the legislation and principles upon which the Statement of Accounts has been prepared.

g) Housing Revenue Account Income and Expenditure Statement

This reflects a statutory requirement to account separately for local council housing provision. It summarises the resources that have been generated and consumed in providing services and managing the Council's housing stock during the last year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed.

h) Collection Fund

The Council is required to maintain a separate Collection Fund to receive monies as a billing authority in relation to the Council Tax and National Non-Domestic Rates (Business Rates) and accounts for the distribution of Council Tax to preceptors (Essex County Council and Essex Police and Fire Authorities) and the Council's own General Fund; with the addition of the Government for Business Rates.

- 3.2 The Annual Governance Statement (AGS) is not an official part of the Statement of Accounts, but is provided as a supporting document to publish the governance arrangements in place within the Council to ensure that business is conducted in accordance with the law and proper standards and that public money is safeguarded.

4. Issue, Options and Analysis of Options

- 4.1 In accordance with statute, the responsible financial officer must re-sign and authorise for issue the final audited statements. This was done on 19th September. The Council (or delegated Committee) must approve the statements by 30th September at the latest.

- 4.2 Since 30th June there have been a number of amendments to the accounts agreed with the auditors. Most of these are minor amendments including typographical errors. Some are, however, significant and are described below, together with 2 items which, with the agreement of the auditors, will be adjusted in 2014/15.
- i. Cash and creditors were both overstated by £1.3 million in the draft accounts and have been amended in the Balance Sheet and various notes. The error was the result of an incorrect accounting adjustment to reflect timing differences between cash shown in the bank statements and in the accounts. The Council has not lost any cash. Rather the Council's short-term investments (which in accounting terms are "cash equivalents") were overstated in the draft accounts.
 - ii. Since 30th June valuations of a number of assets ("Other land and buildings" in the balance sheet) have been received, and the accounts have been amended accordingly. The values of the Town Hall and the golf course have reduced by £3.1 million and £1.1 million respectively. The value of the Pavilion Complex at King George's playing fields increased by £0.5 million.
 - iii. The way in which defined benefits pension schemes are accounted for changed between 2012/13 and 2013/14. The changes were largely presentational and there was no change to the net pensions liability. Note 35 in the draft statements was amended and the 2012/13 figures were restated to show what the effect of the new accounting would have been if applied to that year. It has been agreed with the auditors that the amendments were not necessary and note 35 has been amended to show the original 2012/13 figures.
 - iv. A revision to the actuary's report on the Pension Fund was advised after the accounts had been prepared. Although the Pension Reserve and Pension Liability were changed by a compensating amount of £309,000, this is not a material amount considering the figures in the accounts are £40.1 million.
 - v. Note 15.2 – the figure for "Interest expense" has been reduced by £364,000 to £2,180,000. The original figure incorrectly included the notional amount of interest payable in respect of the Council's share of the pension fund.
 - vi. The auditors reported an "unadjusted error" in the 2012/13 accounts in respect of fixed (non-current) assets. The issue was extremely technical, but in essence was that, because of the way revaluations

were accounted for, the Revaluation Reserve and Capital Adjustment Account were incorrect by compensating amounts. The issue has been largely resolved but, in so doing, errors have been discovered in the 2011/12 accounts. Discussions are ongoing with the auditors and an adjustment in the region of £500,000 could be required. The adjustment will have no effect on the Council's financial position and it has been agreed with the auditors that any adjustment will be made in 2014/15.

- vii. There is an error in the Collection Fund which means that the General Fund balance as at 31st March 2014 is understated by £138,000. This adjustment will be made in 2014/15.

5. Reasons for Recommendation

- 5.1 A system of sound financial control and governance arrangements underpins all of the services and priorities of the Council.

6. Implications

Financial Implications

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- 6.1 The key messages from the financial statements will be set out at the meeting.

Legal Implications

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- 6.2 All relevant legal considerations have been taken fully into account in compiling this report.

7. Appendices to this report

Appendix A – Statement of Accounts

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