

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
<b>GOVERNANCE COMMITTEE</b>	<b>27 JUNE 2012</b>

Report template revised June 2008



<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
<b>DRAFT CORE FINANCIAL STATEMENTS FOR YEAR ENDING 31 MARCH 2012</b>	<b>FINANCE AND RESOURCES</b>	<b>S GUINNESS</b>	<b>4(b)</b>

## **SUMMARY AND LINK TO CORPORATE PRIORITIES**

1. To give members sight of the Core Financial Statements plus comment thereon. These will form part of the Council's year end Statutory Statement of Accounts (SOA).
2. They link to the Council's corporate priorities in the delivery of excellent services.

## **RECOMMENDATIONS**

3. Members are asked to note the report.

## **DETAILS AND REASONING**

4. The Core Financial Statements are set out in Appendix One and consist of the following:-
  - Movement in Reserves Statement
  - Comprehensive Income and Expenditure Statement
  - The Balance Sheet
  - Cash Flow Statement
  - Collection Fund Account
  - Annual Governance Statement
  - Notes to the Main Financial Statements
  - Statement of Responsibilities for the Statement of Accounts
5. Since the introduction of International Financial Reporting Standards (IFRS) the Statement of Accounts is approved by the Council's Chief Finance Officer before 30<sup>th</sup> June. The complete Statement of Accounts is then made available to Members for scrutiny prior to the External Audit's inspection. To assist Members in this task there will be a Member's briefing session with Shared Financial Services Officers on 17<sup>th</sup> July 2012.
6. Following external inspection the Statement of Accounts will be approved by the Council's Governance Committee before the end of September 2012.
7. The Council's External Auditors plan to conduct their final audit work during July and August. The Accounts will be available for public inspection from Monday 30<sup>th</sup> July 2012 for a period of 20 working days. This will be advertised on 12<sup>th</sup> July. The appointed day, on which electors may meet and question the Council's External Auditors in connection with their audit of the 2011/12 Statement of Accounts, has been designated as Tuesday 28<sup>th</sup> August 2012.

## WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these. The risk assessment which has been carried out forms part of the background papers to the report.

<b>FINANCIAL</b>	As set out in the report and its appendices.		
<b>LEGAL</b>	Compliance with various Regulations and Statutory Codes of Practice.		
<b>RISK</b>	The Statement of Accounts (SOAS) is designed to comply with the Council's statutory obligations.		
<b>OTHER (see below)</b>			
<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

## BACKGROUND DOCUMENTS

<b>Cabinet Report – Financial Strategy, Budget and Council Tax 2011/12</b>	<b>16/02/11</b>
<b>Cabinet Report – Financial Strategy, Budget and Council Tax 2012/13</b>	<b>21/02/12</b>

**DRAFT SUMMARY CORE FINANCIAL STATEMENTS**

**Movement in Reserves Statement**

The statement shows the levels of reserves, and movements therein. They indicate the underlying financial strength of the Council.

This statement distinguishes usable from unusable reserves. "Usable" are available to fund expenditure or reduce local taxation. Unusable includes the Revaluation Reserve (holding unrealised gains in property values), and other reserves holding amounts arising from differences between the accounting basis used in compiling the Comprehensive Income and Expenditure Statement and the statutory basis prescribed for taxation purposes.

The statement starts by showing the surplus or deficit arising in the year on the Provision of Service. This is the true economic cost of providing the authority's services (as detailed in the Comprehensive Income and Expenditure Statement). For the purposes of council tax setting however, a series of statutory adjustments are then made, resulting in a line entitled "Net Increase/Decrease before transfers to Earmarked Reserves". The final line shows any such discretionary transfers to or from earmarked reserves.

	Useable Reserves					Unusable Reserves £'000	TOTAL RESERVES £'000
	General Fund £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants & Contributions £'000	Total Useable Reserves £'000		
<b>Balance 31 March 2010</b>	<b>(3,337)</b>	<b>(7,827)</b>	<b>(3,064)</b>	<b>(2,207)</b>	<b>(16,435)</b>	<b>(7,099)</b>	<b>(23,534)</b>
<b><u>Movement in 2010/11</u></b>							
Surplus on provision of service	(329)	0	0	0	(329)		(329)
Other comprehensive income & expenditure	0	0	0	0		(6,403)	6,403
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(329)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(329)</b>	<b>6,403</b>	<b>6,732</b>
Adjustments between accounting basis & funding basis	(27)	0	784	(434)	323	(323)	0
<b>Net change before transfers to/(from) earmarked reserves</b>	<b>(356)</b>	<b>0</b>	<b>784</b>	<b>(434)</b>	<b>(6)</b>	<b>(6,726)</b>	<b>(6,732)</b>
Transfers to/(from) earmarked reserves	355	(355)	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	<b>(711)</b>	<b>(355)</b>	<b>784</b>	<b>(434)</b>	<b>(6)</b>	<b>(6,726)</b>	<b>(6,732)</b>
<b>Balance 31 March 2011</b>	<b>(4,047)</b>	<b>(7,472)</b>	<b>(2,280)</b>	<b>(2,641)</b>	<b>(16,441)</b>	<b>(13,825)</b>	<b>(30,266)</b>

	Useable Reserves					Unusable Reserves £'000	TOTAL RESERVES £'000
	General Fund £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants & Contributions £'000	Total Useable Reserves £'000		
<b><i>Movement in 2011/12</i></b>							
Deficit on provision of service	432	0	0	0	432	0	432
Other comprehensive income & expenditure	0	0	0	0	0	3,039	3,039
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>432</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>432</b>	<b>3,039</b>	<b>3,471</b>
Adjustments between accounting basis & funding basis	(917)	0	(133)	(323)	(1,373)	1,373	0
<b>Net change before transfers to/(from) earmarked reserves</b>	<b>(485)</b>	<b>0</b>	<b>(133)</b>	<b>(323)</b>	<b>(941)</b>	<b>4,412</b>	<b>3,471</b>
Transfers to/(from) earmarked reserves	363	(403)	0	40	0	0	0
<b>(Increase)/Decrease in year</b>	<b>(123)</b>	<b>(403)</b>	<b>(133)</b>	<b>(283)</b>	<b>(941)</b>	<b>4,412</b>	<b>3,471</b>
<b>Balance 31 March 2012</b>	<b>(4,170)</b>	<b>(7,875)</b>	<b>(2,413)</b>	<b>(2,924)</b>	<b>(17,382)</b>	<b>(9,413)</b>	<b>(26,795)</b>

The salient points to note are:

- There was a deficit in the year, calculated according to Generally Accepted Accounting Practice of £0.432m. The adjustments of £0.917m required for the purposes of calculating local taxes have been deducted from this leaving a surplus of £0.485m. Of this sum, a net £0.363m was transferred to earmarked reserves. This leaves a small increase in the General Fund balance, which at year end stands at £4.17m.
- There were also increases totalling £0.4m in the two usable capital reserves.
- The Increase in year of £123k for the General Fund can be cross referenced to the Budget Out-turn Report on this agenda (for example Appendix A).

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. It includes the revenue surplus or deficit for the year and the unrealised capital gains and losses on property and pension assets and liabilities. The final line in the statement, "Total Comprehensive Income", reconciles to the movements in the year in Total Reserves of the Authority, as shown in the Balance Sheet.

2010/11				2011/12		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,270	(494)	776	Central services to the public	1,558	(575)	983
6,381	(1,962)	4,419	Environmental & regulatory services	6,289	(1,944)	4,345
2,386	(793)	1,593	Planning services	2,513	(936)	1,577
7,298	(540)	6,758	Culture & related services	4,224	(674)	3,550
2,176	(1,273)	903	Highways & transport services	1,132	(861)	271
29,065	(27,624)	1,441	Other housing services	29,560	(27,962)	1,598
1,985	(47)	1,938	Corporate & democratic core	1,668	(245)	1,423
1,701	(1,102)	599	Non distributed costs	1,164	(730)	434
0	(4,503)	(4,503)	Exceptional item – pension past service	0	0	0
<b>52,262</b>	<b>(38,338)</b>	<b>13,924</b>	<b>Cost of Services</b>	<b>48,108</b>	<b>(33,927)</b>	<b>14,181</b>
239	(18)	221	Other operating expenditure	361	0	361
6,866	(4,837)	2,029	Financing & investment income & expenditure	5,161	(4,919)	242
0	0	0	Surplus or deficit of discounted operations	0	0	0
0	(16,503)	(16,503)	Taxation & non-specific grant income	0	(14,352)	(14,352)
		(329)	<b>(Surplus)/Deficit on provision of services</b>			<b>432</b>
		(855)	(Surplus)/deficit on revaluation of property, plant & equipment assets			<b>(1,990)</b>
		(5,548)	Actuarial (gains)/losses on pension assets & liabilities			<b>5,029</b>
		(6,403)	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>3,039</b>
		(6,732)	<b>TOTAL Comprehensive Income &amp; Expenditure</b>			<b>3,471</b>

The salient points to note are:

- The analysis shown in the statement has changed from previous years. Environmental, planning and cultural services were previously aggregated. This has necessitated the restatement of the 2010/11 figures.
- Listed below are a number of large changes between the two years; however none of these impact on the council tax payer:
  - ❖ Cultural services have reduced between the two years by £3.2m. Impairment charges resulting from the reduction in value of the leisure centres caused the spike in 2010/11 costs, but these are transferred to the capital adjustment account through the Movement in Reserves Statement (MIRS).
  - ❖ Financing & investment expenditure was inflated in 2010/11 by the impairment & revaluation of some investment assets , and by certain pension costs. These too are reallocated through the MIRS.
  - ❖ There is a large movement between the years in certain other pension costs. In 2010/11 there was an exceptional credit of £4.5m, and an actuarial gain of £5.5m in 2010/11 became a loss of £5.0m in 2011/12. These changes are transferred through the MIRS to the pension reserve account.

## The Balance Sheet

The Balance Sheet demonstrates the value of the assets and liabilities recognised by the Council. The total of these, the Net Assets, is matched by the authority's reserves, as shown in the lower part of the Balance Sheet.

<b>1 April 2010</b>	<b>31 March 2011</b>		<b>31 March 2012</b>
<b>£'000</b>	<b>£'000</b>		<b>£'000</b>
30,049	28,555	Property, plant & equipment	29,264
0	0	Heritage Assets	0
11,665	11,697	Investment property	12,015
291	373	Intangible assets	325
0	0	Assets held for sale	0
0	0	Long term investments	0
96	92	Long term debtors	84
<b>42,101</b>	<b>40,717</b>	<b>Total Long Term Assets</b>	<b>41,688</b>
6,860	7,188	Short term investments	6,153
330	330	Assets held for sale	0
140	152	Inventories	127
6,922	4,313	Short term debtors	3,755
3,195	5,174	Cash and cash equivalents	5,875
<b>17,447</b>	<b>17,157</b>	<b>Total Current Assets</b>	<b>15,910</b>
0	(1,241)	Bank overdraft	0
(475)	0	Short term borrowing	0
(4,073)	(3,485)	Short term creditors	(3,060)
0	0	Provisions	0
0	0	Liabilities in disposal groups	0
<b>(4,548)</b>	<b>(4,726)</b>	<b>Total Current Liabilities</b>	<b>(3,060)</b>
0	0	Long term creditors	0
0	0	Provisions	0
0	0	Long term borrowing	0
(1,423)	(1,708)	Other long term liabilities	(1,230)
(30,043)	(21,090)	Net pension liability	(26,429)
0	0	Donated assets account	0
0	(84)	Capital grants receipts in advance	(84)
<b>(31,466)</b>	<b>(22,882)</b>	<b>Total Long Term Liabilities</b>	<b>(27,743)</b>
<b>23,534</b>	<b>30,266</b>	<b>NET ASSETS</b>	<b>26,795</b>

<b>1 April 2010</b> <b>£'000</b>	<b>31 March 2011</b> <b>£'000</b>		<b>31 March 2012</b> <b>£'000</b>
(16,435)	(16,419)	Usable Reserves	(17,382)
(7,099)	(13,847)	Unusable Reserves	(9,413)
<b>(23,534)</b>	<b>(30,266)</b>	<b>TOTAL RESERVES</b>	<b>(26,795)</b>

The salient points to note are:

- Councils are required to identify Heritage Assets as a separate classification. They are defined as assets held for their contribution to culture and knowledge. No material assets have been identified
- The Pension Liability has increased by £5.3m. The major causes have been referred to previously
- Debtors have reduced significantly. The largest single item being a fall of £1.6m in the amount owed by the DCLG in respect of NNDR
- The Councils usable reserves stand at a healthy £17.4m



## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period. It shows how cash and cash equivalents are generated and used by classifying cash flows into operating, investment and financing activities.

<b>2010/11</b> <b>£'000</b>		<b>2011/12</b> <b>£'000</b>
329	Net surplus or (deficit) on provision of services	432
34,235	Adjustments to net surplus or deficit on the provision of services for non cash movements	2,955
(32,904)	Adjustments for items reported separately on the cash flow statements	(1,046)
1,660	Net cash flows from Operating Activities	1,477
(1,683)	Investing activities	(1,034)
761	Financing activities	569
738	Net increase or (decrease) in cash & cash equivalents	1,942
3,195	Cash & cash equivalents at the beginning of the reporting period	3,933
<b>3,933</b>	<b>Cash &amp; cash equivalents at the end of the reporting period</b>	<b>5,875</b>

The salient point to note is:

- The major change between the two years concerns the treatment of receipts from maturing short term investments. In 2010/11 their original cost, £30.9m, has been included within the figure of £32.904m and the receipt on redemption, a credit of £30.9m, within £34.235m. In 2011/12 both cost and proceeds have been netted off each other within the Investing Activities line.

## Collection Fund Account

This statement is relevant to organisations that act as collecting agent for other authorities, for example, police fire and county council. Its purpose is to reflect the statutory obligation for billing authorities to record transactions relating to the collection of Council Tax and Non-Domestic Rates, and their distribution to precepting authorities, the Government, and the Council itself.

2010/11			2011/12	
£'000	£'000		£'000	£'000
		<b>INCOME</b>		
	50,846	Income from Council Tax		50,814
		<u>Transfers from General Fund</u>		
6,119		Council Tax Benefits	6,102	
(1)		Transitional Relief	0	
	6,118			6,102
	31,030	Income Collectable from Business Ratepayers		32,033
	<b>87,994</b>	<b>TOTAL INCOME</b>		<b>88,949</b>
		<b>EXPENDITURE</b>		
		<u>Precepts and Demands</u>		
41,135		Lancashire County Council	41,379	
7,784		South Ribble Borough Council	7,831	
5,429		Lancashire Police Authority	5,461	
2,363		Combined Fire Authority	2,376	
	56,711			57,047
		<u>Distribution of Collection Fund Surplus/(Deficit)</u>		
(178)		Lancashire County Council	(9)	
(33)		South Ribble Borough Council	(2)	
(23)		Lancashire Police Authority	(1)	
(10)		Combined Fire Authority	(1)	
	(244)			(13)

2010/11			2011/12	
£'000	£'000		£'000	£'000
	0	<u>Adjustment to previous years Community Charge</u>		0
		<u>Business Rates</u>		
30,906		Payment to National Pool	31,908	
124	31,030	Cost of Collection Allowance	125	32,033
		<u>Bad and Doubtful Debts/Appeals</u>		
121		Write Offs	177	
138	259	Provisions	95	272
	<b>87,756</b>	<b>TOTAL EXPENDITURE</b>		<b>89,339</b>
	238	Surplus/(Deficit) for the Year		(390)
	33	Surplus/(Deficit) at 1 April		33
	(33)	Transfer to/(from) Collection Fund Adjustment Account		54
	(205)	Net Transfer to Major Precept Debtor		336
	<b>33</b>	<b>Surplus/(Deficit) at 31 March</b>		<b>33</b>

The salient points to note are:

- The Collection Fund has incurred a deficit of £390k in the year. In producing the 2012/13 estimates a deficit of £286k was predicted and this will be recovered from preceptors in 2012/13. The additional deficit, plus any surplus or deficit in 2012/13 itself will be recovered in 2013/14.
- The surplus of £33k carried forward at 31 March 2011, is Community Charge income available to the Council.

### Other Statements

**Annual Governance Statement** – reported to committee within another item on the agenda.

**Notes to the Main Financial Statements** and the **Statement of Responsibilities** – will be contained in the Statement of Accounts approved by the Chief Financial Officer. These are available for member comment during the period of external audit inspection.

