

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
<b>GOVERNANCE COMMITTEE</b>	<b>26 JUNE 2013</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 2013</b>	<b>FINANCE AND RESOURCES</b>	<b>S GUINNESS</b>	<b>5(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
5. The 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.
6. The Annual Governance Statement, which at one time was part of the Statement of Accounts, is now reported separately on the Governance Committee agenda.
7. The legal requirement is that the Statement of Accounts must be approved by the Council's Chief Finance Officer before 30<sup>th</sup> June. It is the practice that 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 (date to be confirmed).
8. Following external inspection the Statement of Accounts will be approved by the Council's Governance Committee before the end of September 2013.
9. 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 Tuesday 23<sup>rd</sup> July 2013 for a period of 20 working days. This will be advertised on 4<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 2012/13 Statement of Accounts, has been designated as Tuesday 20<sup>th</sup> August 2013.

## 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 2012/13</b>	<b>21/02/12</b>
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**APPENDIX ONE**  
**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	Total Reserves
	General Fund	Earmarked Reserves	Capital Receipts Reserve	Capital Grants & Contributions	Total Useable Reserves		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance 31 March 2011</b>	<b>(4,048)</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>
<b><i>Movement in 2011/12</i></b>							
Surplus on provision of service	432	0	0	0	432		432
Other comprehensive income & expenditure	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>
Adj. 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>(122)</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>
<b><i>Movement in 2012/13</i></b>							
Deficit on provision of service	601	0	0	0	601	0	601
Other comprehensive income & expenditure	0	0	0	0	0	4,474	4,474
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>601</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>601</b>	<b>4,474</b>	<b>5,075</b>
Adj. between accounting basis & funding basis	(1,941)	0	510	224	(1,207)	1,207	0
<b>Net change before transfers to/(from) earmarked reserves</b>	<b>(1,340)</b>	<b>0</b>	<b>510</b>	<b>224</b>	<b>(606)</b>	<b>5,681</b>	<b>5,075</b>
Transfers to/(from) earmarked reserves	619	(645)	0	26	0	0	0
<b>(Increase)/Decrease in year</b>	<b>(721)</b>	<b>(645)</b>	<b>510</b>	<b>250</b>	<b>(606)</b>	<b>5,681</b>	<b>5,075</b>

<b>Balance 31 March 2012</b>	<b>(4,891)</b>	<b>(8,520)</b>	<b>(1,903)</b>	<b>(2,674)</b>	<b>(17,988)</b>	<b>(3,732)</b>	<b>(21,720)</b>
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The above statement shows that:-

- There was a deficit in the year, calculated according to generally accepted accounting practice, of £0.601m. The adjustments of £1.941m required for the purposes of calculating local taxes have been deducted from this leaving a surplus of £1.340m. Of this sum, a net £0.619m was transferred to earmarked reserves. This leaves the General Fund balance at year end of £4.890m.
- The sum in the two usable capital reserves has fallen by £0.760m to £4.577m
- The Increase in year of £721k for the General Fund can be cross referenced to the Budget Out-turn Report on this agenda.

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the amount to be funded from taxation, since authorities raise taxation to cover expenditure in accordance with regulations. The taxation position is shown in the Movement in Reserves Statement

2011/12				2012/13		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
8,424	(7,202)	1,222	Central services to the public	8,187	(7,110)	1,077
6,289	(1,944)	4,345	Environmental & Regulatory Services	6,257	(1,912)	4,345
2,513	(936)	1,577	Planning Services	2,571	(1,212)	1,359
4,224	(674)	3,550	Culture & Related Services	4,398	(755)	3,643
1,132	(861)	271	Highways and transport services.	1,154	(993)	161
22,694	(21,335)	1,359	Other housing services	23,729	(22,660)	1,069
1,668	(245)	1,423	Corporate and democratic core	1,578	(199)	1,379
1,164	(730)	434	Non distributed costs	1,025	(618)	407
<b>48,108</b>	<b>(33,927)</b>	<b>14,181</b>	<b>Cost of Services.</b>	<b>48,899</b>	<b>(35,459)</b>	<b>13,440</b>
361	0	361	Other operating expenditure (note 9)	229	0	229
5,161	(4,919)	242	Financing and investment income and expenditure (note 10)	5,047	(4,544)	503
0	0	0	(Surplus) or deficit of discontinued operations	0	0	0
0	(14,352)	(14,352)	Taxation and non-specific grant income (note 11)	0	(13,571)	(13,571)
		<b>432</b>	(Surplus)/deficit on provision of services			<b>601</b>
		(1,990)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(79)
		5,029	Actuarial (gains)/losses on pension assets and liabilities			4,553
		<b>3,039</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>4,474</b>
		<b>3,471</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>5,075</b>

Most of the figures have not changed significantly between the two years. Of those that have:-

- Planning Services – the reduction in net cost is attributable to the increase in planning fee income of £285k
- Housing Services – the net cost of Housing Benefit has changed between last year and this year by £330k. This is the result of increases in the overpayment recoveries and changes in the classification of some types of benefit, resulting in additional subsidy income.

- Financing and Investment income and expenditure. The chief reason for the £261k increase in net cost is the increase in the actuarial interest charge relating to pensions. This charge is reversed and does not affect the charge to rate payers.
- Pensions – are commented on in the Balance Sheet section of this report

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority.

It shows the net assets of the authority which are matched by the reserves held.

Reserves are reported in two categories. 'Usable Reserves' includes reserves available to provide services and other reserves which may only be used to fund capital expenditure or repay debt. 'Unusable Reserves' fall into two categories, the first consists of the Revaluation Reserve which holds unrealised gains and losses in asset values. The second category holds amounts resulting from the "adjustments between the accounting basis and the funding basis", as shown in the Movement in Reserves Statement.

31 March 2012 £'000		Notes	31 March 2013 £'000
29,264	Property, Plant & Equipment	12	29,278
0	Heritage Assets		0
12,015	Investment Property	13	12,391
325	Intangible Assets	14	299
0	Long Term Investments		0
84	Long Term Debtors		85
<b>41,688</b>	<b>Long Term Assets</b>		<b>42,053</b>
6,153	Short Term Investments		7,586
0	Assets Held for Sale	20	0
127	Inventories	16	122
3,781	Short Term Debtors	18	4,615
5,875	Cash and Cash Equivalents	19	4,802
<b>15,936</b>	<b>Current Assets</b>		<b>17,125</b>
0	Bank overdraft		0
0	Short Term Borrowing		0
(3,086)	Short Term Creditors	21	(4,303)
0	Provisions	22	0
0	Liabilities in Disposal Groups		0
<b>(3,086)</b>	<b>Current Liabilities</b>		<b>(4,303)</b>
0	Long Term Creditors		0
0	Provisions		0
0	Long Term Borrowing		0
(1,230)	Other Long Term Liabilities		(1,448)
(26,429)	Net Pension Liability	43c	(31,623)
0	Donated Assets Account		0
(84)	Grant Receipts in Advance - Capital	37	(84)
0	Grants Receipts in Advance - Revenue		0
<b>(27,743)</b>	<b>Long Term Liabilities</b>		<b>(33,155)</b>
<b>26,795</b>	<b>Net Assets</b>		<b>21,720</b>
(17,382)	Usable Reserves	23	(17,988)
(9,413)	Unusable Reserves	24	(3,732)
<b>(26,795)</b>	<b>Total Reserves</b>		<b>(21,720)</b>

## Comment

- Sundry Debtors have increased by £0.8m. This is caused by an increase in the amount owed by the DCLG in respect of benefit subsidy. The full analysis of debts by type is as follows:-

	<u>£m</u>
Local Authorities	1.6
Government	1.5
Housing benefit recoveries	0.9
SRBC share of council tax arrears	0.4
Prepayments	0.3
other	0.6
Bad debt provision	(0.7)
<b>Total</b>	<b>4.6</b>

- Liquid resources (cash and short term investments) have increased from £12m to £12.4m.
- Short Term Creditors have increased by £1.2m. This is caused by an increase in the amount owed to the DCLG in respect of SRBC's contribution to the business rates pool at 31<sup>st</sup> march 2013.
- Pensions – The above statement shows the pension liability has increased by £5m to £31.6m. This figure is very much an estimate being the actuary's assessment of the present value of the liabilities to be met by the fund over a very long period, less its current assets and anticipated future receipts. The notes, in the full Statement of Accounts, show that the deficit, year on year, is volatile, nevertheless the trend is upwards, and the increase this year has happened despite the strong rise in equity values which resulted in gains to the pension fund exceeding those expected. This was more than offset, however, by the effect of a decline in the rate used to discount those future liabilities. Changes in pension fund regulations were announced in 2011/12 that should restrict future liabilities, but these will not affect past liabilities. The statutory arrangement for funding the deficit provide that it be made good by increased contributions over the remaining working life of employees.



## Cash Flow Statement

This 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.

2011/12 £'000		2012/13 £'000
(432)	Net surplus or (deficit) on the provision of services	(601)
2,955	Adjustments to net surplus or deficit on the provision of services for non cash movements	2,818
(1,046)	Adjustments for items reported separately on the cash flow statement	(477)
1,477	Net cash flows from Operating Activities (Note 25)	1,740
1,034	Investing Activities (Note 26)	(3,711)
(569)	Financing Activities (Note 27)	898
1,942	Net increase or (decrease) in cash and cash equivalents	(1,073)
3,933	Cash and cash equivalents at the beginning of the reporting period	5,875
<b>5,875</b>	<b>Cash and cash equivalents at the end of the reporting period (note 19)</b>	<b>4,802</b>

The salient points to note are:-

- Investing Activities – The £3.7m outflow of cash is essentially the result of capital expenditure £2.7 and the increase in short term investments £1.4m.
- Financing Activities – This figure includes the effect of the Council's activities as the agent of the DCLG, for collecting business rates and council tax. The change between last year and this year (£569k outflow of cash to a £898k inflow) is consistent with the fact that £1.2m is owed to the DCLG (as reported above).

## Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities (SRBC) to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers, and distribution to local authorities and the Government, of council tax and non-domestic rates.

2011/12 £'000		2012/13	
		£'000	£'000
	<b>Income</b>		
50,814	Income from Council Tax		51,112
	Transfers from General Fund		
6,102	Council Tax Benefits	6,077	
0	Transitional Relief	0	
6,102			6,077
32,033	Income Collectable from Business Ratepayers		34,508
<b>88,949</b>			<b>91,697</b>
	<b>Expenditure</b>		
	Precepts and Demands		
41,379	Lancashire County Council	41,346	
7,831	South Ribble Borough Council	8,011	
5,461	Lancashire Police Authority	5,593	
2,376	Combined Fire Authority	2,374	
57,047			57,324
	Distribution of Collection Fund Surplus/(Deficit)		
(9)	Lancashire County Council	(208)	
(2)	South Ribble Borough Council	(39)	
(1)	Lancashire Police Authority	(27)	
(1)	Combined Fire Authority	(12)	
(13)			(286)
	Business rates		
31,908	Payment to National Pool	34,384	
125	Cost of Collection Allowance	124	
32,033			34,508
	Bad and doubtful debts/appeals		
177	Write offs	65	
95	Provisions	211	
272			276
<b>89,339</b>			<b>91,822</b>
(390)	Surplus/(deficit) for the year		(125)
33	Surplus/(deficit) at 1 April		33
54	Transfer to/(from) Collection Fund Adjustment Account		18
336	Net transfer to Major Precept Debtor		107
<b>33</b>	<b>Surplus/(deficit) at 31 March</b>		<b>33</b>

The points to note are as follows:-

- The Collection Fund has incurred a deficit of £125k in the year. In producing the 2013/14 estimates a break even position was predicted. The deficit of £125k will therefore be recovered from preceptors in 2013/14.

- The surplus of £33k carried forward at 31 March 2013, is Community Charge income available to the Council.