

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

16 June 2014

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 STATEMENT OF ACCOUNTS 2013/14

This report presents an unaudited set of Accounts for 2013/14 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 for consideration and endorsement. The Accounts include the proposals recommended to the Cabinet meeting on 25 June.

1.1 Introduction

- 1.1.1 An audited set of Accounts for 2013/14 must be approved by the Council or a Committee of the Council by 30 September 2014. Under the Council's constitutional arrangements responsibility for the approval of the Statement of Accounts is delegated to the General Purposes Committee. The General Purposes Committee has a meeting scheduled for the 23 June to approve the Accounts (unaudited) and 1 September to approve the audited Accounts.
- 1.1.2 The role of this Committee is to consider and peruse the unaudited set of Accounts and to make recommendations as deemed appropriate to the meeting of the General Purposes Committee on the 23 June. Due to the timing of meetings any recommendations deemed appropriate will be reported verbally to the meeting of the General Purposes Committee.

1.2 Statement of Accounts

- 1.2.1 The Accounts are to be prepared in accordance with International Financial Reporting Standards. The Code of Practice on Local Authority Accounting in the United Kingdom is issued by the Chartered Institute of Public Finance and Accountancy and is reviewed and as appropriate updated at least annually.
- 1.2.2 The Accounts for 2013/14 reflect the changes to International Accounting Standard 19 in respect of pensions and the introduction of the Business Rates Retention scheme where the Council acts as an agent for the Government, Kent County Council and Kent Fire and Rescue in respect of business rates.

1.2.3 An unaudited set of Accounts for 2013/14 is enclosed with this agenda. It consists of the following individual financial statements and associated notes.

- 1) Movement in Reserves Statement – this Statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (those that can be applied to fund expenditure and or reduce local taxation) and other reserves (those that the Council is not able to use to provide services, for example, the revaluation reserve).
- 2) Comprehensive Income and Expenditure Statement – this Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement.
- 3) Balance Sheet – sets out the financial position of the Council at 31 March 2014. It shows the value of the Council’s assets and liabilities, and its balances and reserves.
- 4) Cash Flow Statement – this summarises the inflows and outflows of cash and cash equivalents for both revenue and capital purposes.
- 5) Notes to the financial statements.
- 6) Collection Fund and Associated Notes – shows the total local taxation transactions in relation to business rates and council tax.

1.2.4 At **[Annex 1]** is a more detailed overview of the Statement of Accounts and at **[Annex 2]** a checklist certified by the Director of Finance and Transformation in support of the assertions made in the Statement of Responsibilities for the Statement of Accounts.

1.2.5 Members will note in accordance with the Accounts and Audit Regulations and in my role as the Council’s responsible financial officer, I have certified that the Statement of Accounts present a “true and fair view” of the financial position of the local authority at the end of the year and its income and expenditure for the year.

1.2.6 The Statement of Accounts is subject to external audit and our external auditors are to commence the audit of the Accounts shortly.

1.3 Accounts and Audit Regulations

1.3.1 The Accounts and Audit Regulations (England) 2011 require:

- The Council’s responsible financial officer to certify an unaudited set of accounts for issue that present a “true and fair view” of the financial position of the Council as at 31 March 2014 and its income and expenditure for the year ended 31 March 2014 by no later than 30 June.

- The responsible financial officer and Members to certify / approve an audited set of accounts for publication by no later than 30 September, and that following approval both the responsible financial officer and Chairman of the receiving Committee sign and date the Statement of Accounts.
- Authorities to have in place a sound system of corporate governance and that an Annual Governance Statement is to accompany, but is not part of the Accounts.

1.4 Statement of Auditing Standards

1.4.1 Our External Auditor (Grant Thornton) is required to issue a report to those charged with governance covering, amongst other things, the outcome of the audit of the Accounts. Under the Council's constitutional arrangements it is the General Purposes Committee that will receive this report. The report is expected to be presented to the General Purposes Committee meeting on 1 September 2014.

1.5 Revenue and Capital Outturn 2013/14

1.5.1 At the time of writing this report, Cabinet, at its meeting on 25 June, is due to receive a joint report on the Revenue and Capital Outturn for the year 2013/14. That report and the associated Outturn Booklet contain details of variations between the 2013/14 revised estimates and outturn.

1.5.2 Members are to be advised at this meeting that the overall revenue outturn was within budget with a contribution to the General Revenue Reserve of £296,820 compared with the revised estimate figure of £71,150.

1.5.3 In addition, that we had as part of the closedown process undertaken a review of the specific earmarked reserves held by the Council and invited Cabinet to endorse that:

- A Business Rates Retention Scheme reserve is established in the sum of £1,500,000, in the main, to take account of the accounting arrangements, e.g. safety net payment accounted for in year and the deficit that triggered the safety net payment in the following year. The balance of around £126,000 is to meet in full or in part our share of any shortfall between our business rates income and the baseline for 2014/15. The maximum amount the authority has to meet of any shortfall in 2014/15 is circa £154,000.
- A sum of £50,000 is to be added to the Invest to Save Reserve to fund initiatives to reduce costs and or generate additional income.

1.5.4 These proposals have been reflected within the outturn position given above.

1.5.5 **[Annex 3]** provides details of movements on the special projects reserve, other earmarked reserves and minor revenue adjustments agreed by the Director of

Finance and Transformation during the closedown process or to be agreed by Members.

1.6 Annual Governance Statement 2013/14

1.6.1 An Annual Governance Statement is to accompany, but is not part of the Accounts. The Annual Governance Statement for the year ended 31 March 2014 was considered at the April meeting of the Committee. At that meeting Members asked that the Statement open with the following sentence: "The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation." Other than the amendment outlined above, the Statement as presented was endorsed by Members.

1.7 Legal Implications

1.7.1 Compliance with the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting in the United Kingdom is a statutory requirement. There are a number of legislative requirements to consider in the preparation and publication of the Statement of Accounts which will be addressed as we move through the closedown process.

1.8 Financial and Value for Money Considerations

1.8.1 As set out above.

1.9 Risk Assessment

1.9.1 The Statement of Accounts is a statutory document and, therefore, failure to prepare and publish the Accounts in accordance with proper accounting practice and within the statutory timescales could adversely affect the Council.

1.10 Equality Impact Assessment

1.10.1 See 'Screening for equality impacts' table at end of report

1.11 Recommendations

1.11.1 To note and endorse the Statement provided by the Director of Finance and Transformation [**Annex 2**] in support of assertions made in the Statement of Responsibilities for the Statement of Accounts.

1.11.2 To note and endorse the recommendations detailed at paragraph 1.5.3 following a review of the specific earmarked reserves held by the Council.

1.11.3 To note and endorse the enclosed unaudited set of Accounts for 2013/14 and to make such recommendations, as the Committee considers appropriate, to the General Purposes Committee meeting on 23 June.

Background papers:

Nil

contact: Neil Lawley
Paul Worden

Sharon Shelton
Director of Finance and Transformation

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	N / A	The report presents an unaudited set of Accounts for 2013/14 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 for consideration and endorsement.
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	N / A	See above.
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		N / A

In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.