



AUDIT COMMITTEE REPORT

Report Title	Draft Statement of Accounts 2013/14 and Draft Annual Governance Statement
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	28 July 2014
Policy Document:	No
Directorate:	LGSS
Accountable Cabinet Member:	Cllr A Bottwood

1. Purpose

1.1 To present the draft Statement of Accounts (SoA) 2013/14 and draft Annual Governance Statement (AGS) for comment.

2. Recommendations

2.1 That the Audit Committee note the draft SoA 2013/14 and draft AGS.

3. Issues and Choices

3.1 Report Background

3.1.1 The SoA 2013/14 is currently undergoing both audit and public inspection in line with the Accounts and Audit Regulations and is being brought to Audit Committee now to provide an opportunity to review and comment on them before they are finalised and brought to this committee for approval in September 2014.

3.2 Issues

Core Statements

3.2.1 On page 44 of the Statement of Accounts the Movement in Reserves Statement shows the movements in the Useable Reserves for 2013/14 with

2012/13 for comparison. This shows a closing General Fund Working balance of £3.65m and an HRA Working balance of £5m at the end of 2013/14.

- 3.2.2 On page 45 the Comprehensive Income and Expenditure Statement is presented. This shows the cost of providing services for the year before technical adjustments between the accounting basis and funding basis, and before movements in earmarked reserves. (Details of those adjustments can be found in note 7 and note 8 to the accounts on pages 53 and 59 respectively).
- 3.2.3 The Balance Sheet on page 46 shows the Council's assets and liabilities at 31 March 2014.
- 3.2.4 Since the draft Statement of Accounts was produced the statue was successfully sold at auction, and an explanation to this effect will be added to the final Statement as a non-adjusting post balance sheet event at note 6 to the Accounts.
- 3.2.5 The Cash Flow Statement can be found on page 47, and shows the movements in cash and cash equivalents for the year. (Cash equivalents are defined in the Code of Practice on Local Authority Accounting 2013-14 as "*short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value*").

Financial Position

- 3.2.6 The Core Statements at section E of the Accounts show a net contribution to general fund working balances of £526k after taking account of technical adjustments and transfers to reserves. There was no contribution to HRA working balances, however, these are already at the budgeted level.
- 3.2.7 Two invoices totalling approximately £600k were submitted 8 weeks late to Finance. This was too late to be able to include in the Accounts and still meet the statutory deadline. The invoices related to capital expenditure on the HRA, this would not impact on the working balances detailed in 3.2.6 above.
- 3.2.8 Page 10 of the Statement of Accounts gives the financial summary, showing the main sources of income and the main areas of expenditure. The Housing General Fund Services line on the graph may appear quite high, but this is because it includes benefits expenditure, so does not give cause for concern.
- 3.2.9 Pages 11 to 13 provide greater detail of the movements on working balances. It should be noted that within the net contribution to reserves there are a number of technical adjustments, including single transfer for £3.9m in relation to the technical accounting requirements surrounding the new business rates retention regime (this is explained below).
- 3.2.10 The significant areas of capital expenditure are shown on page 16. Note that this includes £10m for the 2 capital loans to Northampton Saints and Northampton Town FC during 2013/14.

Judgements and Estimates

- 3.2.11 Notes 3 and 4 to the Statement of Accounts show the critical judgements and areas of estimation uncertainty, and explains the degree of risk that these assumptions and estimates entail. There has been one new addition this year compare to last year, which is in relation to Business Rates appeals.

3.2.12 Where Business Rates appeals have been lodged, these are included in the provision for business rates appeals in the Collection Fund. However the level at which the Valuation Office Agency (VoA) finally settles the appeal could be at either a higher or lower level than the amount of the provision, and this risk is therefore recognised in note 4.

Business Rates Retention

3.2.13 The Government introduced a new funding regime from 1 April 2014, which allowed local authorities to retain a proportion of any growth in their business rates.

3.2.14 Councils must account for the business rates based on their NNDR1 estimate for 2013/14, with the NNDR3 actuals coming into the picture in 2014/15. This creates a timing issue.

3.2.15 The estimates produced in January 2013 indicated a high level of growth for 2013/14, and so there was an apparent surplus in 2013/14.

3.2.16 However, the actual position at the end of the year showed that there had been considerably less growth than forecast 15 months previously. The impact of this is that there will be an amount of approximately £3.9m to fund in 2014/15, and so the surplus from 2013/14 has been set aside in reserves to fund this timing difference.

3.2.17 Reasons for the significant downward shift between January 2013 and the end of the year were mainly due to:

- Change of VoA methodology nationally for establishing the rateable value of warehouses.
- Transitional Protection for valuation changes
- Successful appeals
- Schools becoming academies and thereby becoming eligible for charity relief
- Demolitions
- These are slightly offset by some new developments coming on stream.

3.2.18 The Council has set up a Business Rates Working Group led by the Chief Finance Officer to try to improve business rates forecasting to minimise similar technical issues in future years.

Draft Annual Governance Statement (AGS)

3.2.19 Under the Accounts and Audit Regulations 2011 the Annual Governance Statement must accompany the Statement of Accounts, and is presented at appendix 2 to this report.

3.2.20 On the first page of the AGS is the Statement of Compliance, which explains how the council complies with the CIPFA Statement on the Role of the Chief Finance Officer. Due to the partnership with LGSS there are a few small areas functions that are not directly overseen by the Chief Finance Officer. These variations from the CIPFA Statement and how they are addressed instead are explained in the Statement of Compliance section of the draft AGS.

3.2.21 In addition there has been a change to the Review of Effectiveness section, which now includes (draft) summaries of the LGSS internal audit report as well as the PWC report.

Next Steps

- 3.2.22 The on-site audit finished on 25th July
- 3.2.23 The public inspection period, when members of the public can come and inspect the Accounts, is due to end on 29 July.
- 3.2.24 On 30 July is the appointed day when members of the public can put questions to the auditors.
- 3.2.25 The auditors will then complete their audit during August with a view to being in a position to provide their audit opinion and ISA260 in time for the Statement of Accounts to be brought to Audit Committee for sign off on 9 September.

3.3 Choices (Options)

- 3.3.1 The Committee may propose amendments to the draft Accounts, for example to the narratives in the Explanatory Foreword.
- 3.3.2 The Committee may have questions or comments on the draft Accounts or AGS.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 There are no policy implications arising from this report.

4.2 Resources and Risk

- 4.2.1 There are no direct financial implications arising from this report. The report reports on the financial position for 2013/14.

4.3 Legal

- 4.3.1 There are no legal implications arising from this report.

4.4 Equality

- 4.4.1 There are no equality implications arising from this report.

4.5 Consultees (Internal and External)

- 4.5.1 Management Board has been consulted on the draft Statement of Accounts and AGS.
- 4.5.2 The Statement of Accounts, accompanied by the draft AGS, is currently undergoing public inspection and audit.

4.6 Other Implications

4.6.1 There are no other implications arising from this report.

5. Background Papers

5.1 The draft Accounts were prepared in line with IFRS requirements and relevant legislation, predominantly:

5.1.1 Accounts and Audit Regulation 2011

5.1.2 The Code of Practice on Local Authority Accounting 2013/14

5.2 The CIPFA Statement on the Role of the Chief Finance Officer

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