

Subject:	Annual Governance Statement and Draft Statement of Accounts 2012/13	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	25 th June 2013
Report of:	Finance Manager	Portfolio Holder:	Finance and Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
Community Impact Assessment:	Required:	Yes /No	Attached: Yes /No
Biodiversity Impact Assessment	Required:	Yes /No	Attached: Yes /No
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1.	RECOMMENDATION(S)
1.1	<p>The Members note the contents of this report and</p> <ul style="list-style-type: none"> Approve the Annual Governance Report at Appendix 1- pages 11-15 Note the Draft Statement of Accounts at Appendix 1 ahead of Audit and Public Inspection from June to September

2. PURPOSE OF REPORT

- 2.1 The purpose of the report is to seek Member approval of the Annual Governance Statement: Year ended 31st March 2013 and share with Members the Draft Statement of Accounts for the year ended 31st March 2013 ahead of the public inspection and external audit regime.

3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- Responsive and value for money services** – The Statement of Accounts shows a General Fund surplus of £47k, however, this follows the transfer of £242k operational savings to the Directorate Investment Reserve and £415k to the Change Management Reserve. The level of the latter operational savings during 2012/2013 is a reflection of the efforts made across the Council to identify efficiencies to meet the Medium Term Financial Strategy.

4. RISK ASSESSMENT IMPLICATIONS

- 4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:
- Operational Governance and Risks:* the Annual Governance Statement: Year ended 31st March 2013 details the significant risks faced by the Council and the measures in place to mitigate, manage and monitor those risks.
 - Level of General Fund Reserves:* The Council must set a level of General Fund reserves based on an assessment of the potential risks to which the Council is exposed. Through its Medium Term Financial Strategy the Council has acknowledged the level of risks in the general economic environment through a suggested minimum level of General Fund balances of £1m. The Balance Sheet in the Draft Statement of Accounts at Appendix 1 shows the General Fund Balance at the 31st March 2013 was £1m.

- *Contingent Assets and Liabilities*: An assurance will be submitted verbally to the Members at the Committee to confirm the current position with regards to Contingent Assets and Liabilities.
- *External Audit*: The Council's Draft accounts will now be subject to audit by Grant Thornton. Final audited accounts will be submitted to this committee on 24th September 2013.

5. BACKGROUND AND OPTIONS

The Draft Statement of Accounts 2012/2013 is attached at Appendix 1

The Annual Governance Statement: Year ended 31st March 2013 is within Appendix 1 on pages 11 to 15.

5.1 Annual Governance Statement: Year ended 31st March 2011

The Annual Governance Statement has been updated for the year ended 31st March 2013. Whilst much of the Statement remains the same as in previous years, the significant issues have been fully reviewed.

Partnerships and their governance arrangements remains a focus of attention. Though work has been undertaken to strengthen the Council's position, particularly around the central government localism agenda, there is still room for improvement as many of the changes begin to take effect in 2013/14.

The risk around balancing priorities and resources over the Medium Term Financial Strategy continues. Activity is ongoing across the Council to identify further savings opportunities as well as to ensure the implementation of those included in the 2013/2014 budget approved in February. Regular and robust monthly financial monitoring over the coming year(s) will contribute towards the assurance mechanism for senior management and members.

5.2 Draft Statement of Accounts 2012/2013

5.2.1 General Fund operations

The financial monitoring of the revenue position at the end of March predicted a total favourable variance against the budget of £525k. This was to be utilised as a net transfer of £242k to the Directorate Investment Reserve, a £216k transfer to the Change Management Reserve and an increase of £47k on the General Fund Reserve.

During the accounts closure there have been 2 changes to the March prediction above:-

- a further £7k favourable variance was anticipated following an update on the housing benefit subsidy calculations, which increased the transfer to Change Management Reserve from £216k to £223k
- a favourable variance of £14k on the unpaid leave creditor from March 2012 to March 2013 has been moved to the Budget Volatility Reserve

The Explanatory Foreword on pages 7 to 9 explains the breakdown of the final out-turn position, but the segmental reports on pages 68 and 69 explain how the Comprehensive Income & Expenditure Account on page 18 differs from the operational reporting throughout the year.

5.2.2 Earmarked Reserves

The financial monitoring report at the end of March predicted an Earmarked Reserves balance of £5,151k whereas Note 34 on pages 58-59 shows a useable balance of £5,563k (excluding the non-cash Transport Reserve relating to shares in Rossendale Transport Ltd). The differences were:-

- Operational savings of £223k from General Fund to Change Management Reserve.
- Transfer of £174k from the unapplied Communities for Health Grant to the change Management Reserve.
- Unpaid leave variance of £14k moved to the Budget Volatility Reserve

The Earmarked Reserves Note on page 59 reflects the movements into and out of reserves during the year and further details can be found in the March monitoring pack on pages 24-25.

5.2.3 Useable Capital Receipts

The financial monitoring report at the end of March predicted a Useable Capital Receipts balance of £1,281k and Note 34b on page 60 shows a useable balance of £1,280k, the difference being due to roundings.

5.2.4 Government Grants Unapplied

The financial monitoring report at the end of March predicted a Government Grants Unapplied balance of £741k whereas Note 34c on page 60 shows a useable balance of £614k. The differences were:-

- Transfer of £174k from the unapplied Communities for Health Grant to the change Management Reserve.
- Revenue contributions from private sector renewal fees towards Disabled Facilities Grants, thereby reducing the need to apply Housing Capital Pot.

5.2.5 Group Accounts

At this moment in time we are still awaiting the draft accounts from Rossendale Leisure Trust, so the Group Accounts cannot be completed. As soon as the data is available it will be presented to the auditors.

5.3 **Public Inspection and Audit**

The Draft Statement of Accounts 2012/2013, including the Annual Governance Statement, will now be submitted for public inspection and external audit. The auditor has set the 12th of August as the appointed day on or after which local government electors in the borough can direct written questions to the auditor about the accounts. The public have the right to inspect the accounts for 20 working days prior to this date and in accordance with the regulations 14 days notice of these rights must be given. Therefore an advert will be placed in the Rossendale Free Press and Rochdale Observer on the weekend of the 28th/29th June 2013 and similar information displayed on the Council's website. The accounts will then be available on the website and at the One Stop Shop.

The Audit Commission staff received the Draft Statement of Accounts on the 17th June 2013 when this report was made public for the Committee agenda. Working papers to support the Statement have been provided to the audit staff and their scrutiny has already commenced.

5.4 Presentation of Audited Accounts

Following the audit the auditor will report her findings to this Committee on the 24th September, along with an audited version of the Statement of Accounts for final approval and publication.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 The General Fund balance at 31st March 2013 now meets the £1m target recommended in the Medium Term Financial Strategy.

7. MONITORING OFFICER

7.1 Unless specifically commented upon within the report, there are no specific implications for consideration.

8. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE)

8.1 Unless specifically commented upon within the report, there are no implications for consideration.

9. CONSULTATION CARRIED OUT

9.1 Directors, Heads of Services and Budget Holders have been consulted throughout the year in the monitoring and reporting of the financial position of the Council. Differences between the figures reported to Cabinet in the March 2013 report and those included within the Statement of Accounts can be seen in section 5 above, though presentation must follow the statutory requirements rather than local operational custom and practice.

10. CONCLUSION

10.1 The strong General Fund monitoring throughout the year has resulted in

- an operational surplus of £532k, though transfers to reserves have reduced this to a closing surplus of £47k,
- a net overall contribution of £410k to Earmarked Reserves in the year

10.2 Despite a successful outcome to 2012/2013 both in terms of finance and performance, the challenge remains for Council to continue its efficiency agenda in order to realise its medium term saving target of over £1.5m, as noted in the Annual Governance Statement: Year ended 31st March 2013.

Background Papers

Document	Place of Inspection
Monthly detailed financial monitoring statements for each service area	Financial Services
Final Accounts working papers	Financial Services