

Subject:	Annual Governance Statement and Statement of Accounts 2013/14	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	24 ^h June 2014
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: <input type="checkbox"/>	Yes /No	Attached: <input type="checkbox"/> Yes /No
Biodiversity Impact Assessment	Required: <input type="checkbox"/>	Yes /No	Attached: <input type="checkbox"/> 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. • Approve the audited Statement of Accounts at Appendix 1 for issue.

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 the audited Statement of Accounts for the year ended 31st March 2013 ahead of the statutory deadline of 30th September.

3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **A Clean and Green Rossendale** – creating a better environment for all, this priority focuses on clean streets and well managed open spaces.
 - **A Healthy and Successful Rossendale** – supporting vibrant communities and a strong economy, this priority focuses on health inequality, building resilient communities and supporting businesses.
 - **Responsive and value for money local services** – responding to and meeting the different needs of customers and improving the cost effectiveness of services.

Strong financial control ensures the effective management of the Council's resources, which then enables the provision and delivery of value for money services.

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 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.

5. BACKGROUND AND OPTIONS

The DRAFT Statement of Accounts 2013/2014 is attached at Appendix 1.

The Annual Governance Statement: Year ended 31st March 2014 is within Appendix 1 on pages 11 to 15.

5.1 Annual Governance Statement: Year ended 31st March 2014

The Annual Governance Statement has been updated for the year ended 31st March 2014.

5.2 Core Statements – Comprehensive Income & Expenditure Statement (CIES) page 18

The CIES is a statutory format report which meets the International Financial Reporting Standards. This means that it includes all income and expenditure, including £3.1m non-cash gains on the revaluations of fixed assets and the pension fund. The total net income of £3.8m also includes costs of depreciation and gains on the sale of assets, which are not attributable to the Council Tax General Fund.

It is very difficult to try to explain the differences between the General Fund out-turn and the CIES, but the table on page 69 attempts to reconcile £7.3m Net Cost of Services in the CIES to the £9.3m to be met from grants and local tax payers in the Explanatory Foreword. The table below summarises those differences.

	£000s
CIES Net Cost of Services	7,325
LESS:-	
Depreciation and impairments - not a charge to tax-payers	-1,179
Change in Unapplied Government Grants	-70
Capital Expenditure Contribution	263
Minimum Revenue Provision	629
Transfers to/(from) Earmarked Reserves	1,914
Interest payable	180
Interest Receivable	-88
(Surplus)/Deficit on Trading Undertakings (excluding amounts in adjs above)	-75
Net impact of pensions adjustments	390
	9,289
Explanatory Foreword	
Amounts to be met from grants and local tax payers	9,343
Less Whitworth Town Council Precept	-54
	9,289

5.2.1 Revenue Operations compared to the Cabinet Monitoring Reports

Cabinet has been receiving regular financial monitoring updates throughout the year. The Explanatory Foreword starting on page 7 shows the accounts in the format members will be familiar with from those reports, rather than the accounting standard format of the Comprehensive Income and Expenditure Statement on page 18.

The Explanatory Foreword shows a favourable variance of £2,584k across the General Fund operational services and the table on page 8 gives the significant elements of this variance. Around £233k of this favourable variance has been used to support the capital programme and £2,296k has been used to increase the Earmarked Reserves, rather than taking contributions from reserves as was approved in the original budget back in February 2013.

5.3 Core Statements – Balance Sheet page 19

The Balance Sheet on page 19 shows total reserves of £5.4m.

Despite £314k of gains on revaluation of assets (CIES), depreciation, impairments and sales have reduced the overall value of the Council's fixed assets by £560k.

The increase in Long Term Debtors is mainly pertaining to the Empty Homes Strategy as explained in Note 23.

The main changes to short-term debtors relates to amounts due from central government and other preceptors regarding both council tax and the new retained business rates system. Sundry operational debtors have gone down since the previous year.

Trade Creditors have reduced as the Council continues its commitment to pay its suppliers within the agreed settlement terms (see Note 32 for further details).

Long Term Provisions have increased with the new provision for business rates appeals.

The tri-ennial review of the Pension Fund has seen the deficit drop by £1.9m since last year. More details can be found in Note 36 starting on page 62.

The Revaluation Reserve and the Capital Adjustment Account are non-cash reserves which hold the opposite accounting entries for the fixed assets activities during the year.

The Deferred Capital Receipts used to account for the last few mortgages given by the Council in the early 1990s. The last of these closed in November 2013. Now this account holds the amounts due back from Empty Homes Strategy properties in future years as explained in Note 35c.

5.3.1 Useable Reserves

The most important aspect of the Balance Sheet is the useable reserves, ie. those backed by cash. At the 31st March 2014 these totalled £11.2m as follows:-

5.3.2 General Fund Reserve

In line with the Medium Term Financial Strategy the General Fund Reserve remains at £1m.

5.3.3 Earmarked Reserves (Note 34a - page 58)

New Earmarked Reserves have been set up during 2013/14 for the Bacup Townscape Heritage Initiative, Business Rates Retention, Haslingden Regeneration and Empty Homes Strategy. The total amount transferred to reserves was £2,270k and the amount used from reserves was £456k, giving a net £1,814k increase in reserves to a closing total of £7,968k. Note 34a gives more information on these reserves.

5.3.4 Useable Capital Receipts Reserve (Note 34b - page 60)

The Council received £171k from the sale of assets in 2013/14 and £392k in grants from Natural England and the Ministry of Defence, along with S106 agreements and other contributions. From this £252k was used to support capital expenditure during the year, leaving a closing balance of £1,589k.

The monitoring report going to Cabinet in July will show the details behind £995k of capital expenditure which is being carried over to 2014/15 for ongoing projects which will have first call on these resources.

5.3.5 Government Grants Unapplied (Note 34c - page 60)

Rossendale is administering the Homes and Communities Agency Grant from East Lancashire. During 2013/14 £1,144k was received, and of this £873k was used to bring properties back into use. The amounts now owing to the Council for these properties is shown within the Long Term Debtors in Note 23 and this will be collected from rental incomes over the next 5 years.

5.4 Collection Fund – Council Tax and Business Rates page 70 onwards

Rossendale Borough Council is a billing authority and operates a separate Collection Fund for the amounts collected / paid on behalf of itself and other preceptors for both council tax and business rates on an agency basis.

Council tax showed a net surplus in the year of £334k, of which this Council can keep £55k. Despite in-year collections exceeding the target, the arrears have risen by £441k to £4,003k against which there is a £2,245k provision for bad debts. The net arrears attributable to Rossendale Borough Council are £285k and these are shown in the main Debtors Note 27.

This has been the first year under the new localised business rates scheme. Back in January/February 2013 officers were estimating the income under the new regime based on the net receipts from the former national pool. By the time the year commenced it became clear that those estimate were overstated by £58k (see the Explanatory Foreword and Note 9) and the real amount due from business rates following central government tariffs, was £1,846k.

During 2013/2014 the collection rate did not quite meet the targets and the Council has made prudent provision for rating appeals already lodged with the Valuation Office. The combination of this has meant that the business rates have returned a net deficit of £378k for the year, of which £151k is attributable to Rossendale Borough Council. Arrears have risen by £190k to £1,052k against which there is a £869k provision for bad debts. The net arrears attributable to Rossendale Borough Council are £74k and these are shown in the main Debtors Note 27.

6. SECTION 151 OFFICER

6.1 Financial matters are noted in the report attached.

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

10. CONCLUSION

10.1 Robust monitoring of the General Fund is essential to control risks expressed in section 4.

10.2 Despite a continued cost reduction programme, the challenge remains for Council to continue its efficiency agenda in order to realise its medium term saving target, which given recent consultation is likely to increase. Members, collectively, continue to face difficult choices in order to balance expenditure with available resources over the medium term.

Background Papers

Background Papers	
Documents	Place of Inspection
Financial monitoring statements for each service area.	Financial Services.
Banking sector credit reports	Financial Services