

## **Statement of Accounts 2012/13 – Explanatory Notes**

### **1. Introduction**

- 1.1 This paper supports the report and statutory Statement of Accounts presented to Audit and Governance Committee for approval. It provides explanations and commentary on the main issues within the accounts to facilitate robust scrutiny and challenge of the accounts prior to approval.
- 1.2 The purpose of the Statement of Accounts is to give the public, councillors, employees, other stakeholders and interested parties clear information about the Council's finances. In summary the accounts should show:
- The cost of the services provided by the Council over the year
  - Where the money came from to pay for these services
  - The Council's assets and liabilities at the end of the financial year.
- 1.3 The accounts have been compiled using the "Code of Practice on Local Authority Accounting in the UK 2012/13: Based on International Financial Reporting Standards (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.4 There are no changes to the accounts as a result of changes in accounting standards introduced in the year.

### **2. Explanatory Foreword**

- 2.1 The purpose of the Explanatory Foreword is to provide an easily understandable guide to the most significant matters reported in the accounts. It includes details of:
- The statements included in the accounts.
  - A summary of the Councils revenue income and expenditure for the year and variances against the previous year's figures.
  - A summary of capital expenditure and how this was financed.
  - Changes to accounting policies and practice.
  - Any other significant matters.

### **3. Statement of Responsibilities for the Statement of Accounts**

- 3.1 This statement sets out the various responsibilities for the accounts:
- The Council's responsibilities under local government legislation.
  - The Corporate Head of Financial Management (s151) legal and professional responsibilities.
- 3.2 This statement must be signed by the Chair of the meeting which approves the accounts and the Corporate Head of Financial Management (s151).

#### **4. Movement In Reserves Statement**

- 4.1 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 or reduce local taxation) and other reserves or “unusable reserves”. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council’s services. These are different from the statutory amounts that are required to be charged to the General Fund Balance for council tax setting purposes.

Description	2011/12 £000's	2012/13 £000's	Variance £000's	Comment
(Surplus) / Deficit on Provision of Services	1,918	942	976	Net Cost of Service reduced by £470k. £827k loss on disposal of Settle TH in 2011/12.
Other Comprehensive (Income) & Expenditure	2,752	4,013	(1,261)	Actuarial losses increased by £700k. Deficit on revaluations increased by £550k
Balance on Reserves at 31 March	6,580	1,625	(4,955)	Earmarked reserves increased by £840k, Capital Receipts Reserve increased by £300k, Unusable Reserves reduced by £6.1m due to asset revaluation losses (£1.7m) and increases in the pension fund liabilities (£4.0m) as a consequence of changes in actuarial assumptions.

#### **5. Comprehensive Income and Expenditure Statement**

- 5.1 The purpose of the Comprehensive Income and Expenditure Statement is to show 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 (council tax).
- Expenditure and income directly related to the services provided by the Council (Net total £6,522k).
  - Expenditure and income not directly attributable to services but to the Council as a whole (When added to the Net Cost of Services above this

totals £8,916k).

- Income received in respect of general government grants and local taxation (Bringing the overall net total on provision of Services to £942k).
- Surplus or deficit on revaluation of Non-Current Assets £494k. (Bringing the overall total of Comprehensive Income and Expenditure to £4,955k).

The total on this statement represents the net surplus or deficit on the Council's provision of services for the year.

5.2 When considering this statement Councillors should note the following major variances between 2011/12 and 2012/13:

Description	2011/12 £000's	2012/13 £000's	Variance £000's	Comment
Environmental & Regulatory Services	1,771	2,035	264	£190k increase in depreciation and impairment costs for Bereavement Services in 2012/13
Other Housing Services	423	222	(201)	£140k decrease in DFG net expenditure in 2012/13
Non distributed costs	1,115	377	(738)	2011/12: £350k Belle Vue Square impairment cost and £150k Granville St costs
Other Operating Expenditure	1,902	1,090	(812)	2011/12 Loss on disposal of Settle Town Hall £827k
(Surplus) or Deficit on revaluation of non-current assets	(55)	494	549	Downward revaluation of non-current assets in 2012/13
Actuarial (gains) or losses on pension assets and liabilities	2,807	3,519	712	Difference between actuarial gains/losses on assets and actuarial gains/losses on liabilities

5.3 Councillors will note that the Comprehensive Income and Expenditure of the Council has moved from a deficit of £4.670m at the end of 2011/12 to a deficit of £4.955m at the end of 2012/13 – the variances identified above make up the majority of this movement.

## 6. Balance Sheet

6.1 The purpose of the balance sheet is to show what the Council's assets and liabilities are at the end of the year.

6.2 Councillors may wish to note the following explanations for key variances when compared with 2011/12.

Description	2011/12 £000's	2012/13 £000's	Variance £000's	Comment
Property Plant & Equipment.	31,464	27,381	(4,083)	£1.3m disposals, £1m downward revaluations and £1.1m reclassified as Community Assets
Short Term Debtors	1,299	2,164	865	£800k increase in Public Sector debtors
Cash and Cash Equivalents	2,570	3,697	1,127	£370k increase in short-term deposits. £755k bank overdraft shown separately
Bank Overdraft	-	755	(755)	See above
Short Term Borrowing	64	1,317	(1,253)	£1.25m Eurohypo loan due Oct 2013, shown in 2012/13 as due within 1 year
Short Term Creditors	2,073	1,820	253	£350k reduction on Government creditors
Long Term Borrowing	6,286	5,028	1,258	£1.25m Eurohypo loan due Oct 2013, shown in 2012/13 as due within 1 year (see above)
Other Long Term Liabilities	25,529	29,514	3,985	£4m increase in pensions liability
Usable Reserves	3,022	4,171	1,149	£840k increase in Earmarked reserves, £300k increase in Capital Receipts Reserve
Unusable Reserves	3,558	(2,546)	6,104	£4m increase in Pensions Reserve liability, £2.2m reduction in Revaluation Reserve

## **7. Cash Flow Statement**

- 7.1 The purpose of the cash flow is to show the inflow and outflow of cash as a result of transactions that have occurred between the council and third parties. The cash flow analyses these transactions between those associated with revenue operations and capital activities.
- 7.2 Councillors may wish to note the following explanations for key variances when compared with 2011/12.

Description	2011/12 £000's	2012/13 £000's	Variance £000's	Comment
Net surplus or (deficit) on the provision of services	(1,918)	(942)	976	See MIRS comment (above)
Investing Activities	69	975	906	£730k increase in proceeds from sale of PPE
Cash & cash equivalents	2,570	2,942	372	See Balance Sheet comments for Cash and Bank Overdraft

## **8. Statement of Accounting Policies**

8.1 The purpose of the Statement of Accounting Policies is to explain the concepts or rules that have been used in preparing the accounts. The various policies have been chosen by the S151 Officer and Councillors need to satisfy themselves that these policies are reasonable – for example the frequency of asset re-valuations.

## **9. Explanatory Notes to the Statement of Accounts**

- 9.1 The purpose of these notes, are to provide the reader of the accounts with more information on certain aspects. Accounting guidance determines what the notes are to contain although the Council is free to add additional information if it is felt that this will help interpretation.