

Subject:	Annual Governance Statement and Statement of Accounts 2013/14	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	23rd September 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:	Yes /No	Attached: Yes /No
Biodiversity Impact Assessment	Required:	Yes /No	Attached: Yes /No
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1.	RECOMMENDATION(S)
1.1	That Members note the contents of this report and <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. Note the Letter of Representation at Appendix 3.

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 2014 and the audited Statement of Accounts for the year ended 31st March 2014 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:
- Regenerating Rossendale:** This priority focuses on regeneration in its broadest sense, so it means supporting communities that get on well together, attracting sustainable investment, promoting Rossendale, as well as working as an enabler to promote the physical regeneration of Rossendale.
 - Responsive Value for Money Services:** This priority is about the Council working collaboratively, being a provider, procurer and a commissioner of services that are efficient and that meet the needs of local people.
 - Clean Green Rossendale:** This priority focuses on clean streets and town centres and well managed open spaces, whilst recognising that the Council has to work with communities and as a partner to deliver this ambition.

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 2014 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 2014 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 have been subject to audit by Grant Thornton and a list of amendments identified accompanies this report at Appendix 2.

5. BACKGROUND AND OPTIONS

The audited 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.

Annual Governance Statement: Year ended 31st March 2014

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

During the external audit comments were added which clarified the Council's performance monitoring regime and gave examples of counter-fraud and arrangements. References to the Monitoring Officer role, as laid down in the Constitution, and the key partnerships and relationships referred to within the significant governance issues were both strengthened.

5.2 Audited Statement of Accounts 2013/2014

A full summary of changes made during the audit is attached at Appendix 2.

General Fund operations

- 5.2.1 Though there has been no change in the net General Fund Reserve of £1m, there have been several changes this year to the Comprehensive Income and Expenditure Statement (CIES), and the Movement in Reserves (MiRs) which have affected the Usable Reserves in the Balance Sheet.
- 5.2.2 During the internal exercise to reallocate back-office and administrative costs to front-line services two errors have been uncovered. The income for the recharge of central IT costs has gone to Corporate & Democratic Core instead of Non-Distributed Costs and £96k of recharges for the building costs at the council's markets have been inadvertently counted twice in the Trading undertakings.

Usable Reserves

There has been a net reduction in Usable Reserves of £108k.

- 5.2.3
- £274k of Provisions have been transferred to the Earmarked Reserves – where the conditions for provisions have not been met fully the amounts have been placed in the Directorate Operational Reserve instead.
- 5.2.4
- £382k of capital grants had been correctly included as Other Income in the CIES and transferred to the Capital Receipts Reserve but their application to the Capital Adjustment Account to finance the investments made during the year had been omitted.

Government Grants Unapplied

- 5.2.5 With the introduction of the Homes and Communities Agency Empty Homes scheme there

has been greater focus on how grants received and either applied or unapplied have been treated. This has led to several changes in how such grants are portrayed, improving the completeness of the MiRs and the CIES but not affecting the final presentation in the Balance Sheet.

Asset Valuations

5.2.6 In 2013/14 asset valuations have seen both large gains and losses. In the draft accounts these were netted off to a gain on revaluations of £314k but the audited accounts now show a more correct allocation of revaluation losses of £2,272k charged against Cost of Services in the CIES. A summary of the revaluation gains/losses are as follows:-

- Sports & Leisure facilities – losses of £1,049k and gains of £1,388k
- Henrietta St Depot – loss of £620k on the building but gain of £130k on the land
- Parks, open spaces and play areas – gains of £147k
- Surplus buildings within Rawtenstall Town Centre – losses of £471k
- Other assets – losses of £132k and gains of £1,068k

5.2.7 At the same time it was noted that £94k of impairments to Revaluation Reserve balances had been incorrectly charged to the Net Cost of Services in the CIES, when these should have been netted off against the in-year Revaluation Reserve gains shown above.

Capital Adjustment Account (CAA)

5.2.8 Following corrections to the accounting treatment for capital grants, £873k in relation to the HCA Empty Homes scheme has been added to both the capital grants received and the revenue expenditure funded from capital under statute.

5.2.9 In addition £382k of other capital grants received in the year (see 5.2.4 above) have now been transferred into the CAA from the Capital Receipts Reserve.

Group Accounts

5.2.10 The audited accounts from Rossendale Transport Ltd have now been incorporated into the Group Accounts.

5.3 **Presentation of Audited Accounts**

The auditor's opinion reported at the previous item on this agenda has now been included in the opening pages of the Statement of Accounts.

5.4 **Letter of Representation**

The Letter of Representation is attached at Appendix 3.

Members are asked to note this letter which follows closely the standard letter of representation for an authority which presents group accounts.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 The General Fund balance at 31st March 2014 still meets the £1m target recommended in the Medium Term Financial Strategy. However, there has been a net reduction of £108k in the Council's Usable Reserves following the corrections identified during the audit process.

7. MONITORING OFFICER

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

consideration.

8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

- 8.1 Unless specifically commented upon within the report, there are no implications for consideration.
- 8.2 In line with statutory requirements the audit of the accounts has included a period of public inspection, with the opportunity for residents to question the auditor.

9. CONCLUSION

- 9.1 The strong General Fund monitoring throughout the year has resulted in
- an increase in the Council's Usable Reserves of £2,085k between the 31st March 2013 and the 31st March 2014,
 - the net increase of £314k in asset revaluations reported in the draft Statement of Accounts masked revaluation losses of £2,272k against gains of £2,492k.
- 9.2 Despite a successful outcome to 2013/2014 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 £1.7m, as noted in the Annual Governance Statement: Year ended 31st March 2014 and reported in detail to Cabinet in July 2014.

Background Papers

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