

Subject:	Annual Governance Statement and Statement of Accounts 2014/15	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	30 th June 2015
Report of:	Finance Manager	Portfolio Holder:	Resources and Performance
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	The Members note the contents of this report and
1.2	<ul style="list-style-type: none"> Approve the Annual Governance Report at Appendix 1- pages 11-15. Approve the DRAFT Statement of Accounts 2014/15 at Appendix 1 for submission to external audit and public inspection.

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 2015 and the DRAFT Statement of Accounts for the year ended 31st March 2015 for submission to external audit and public inspection.

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.

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 2015 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 2015 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 2014/2015 is attached at Appendix 1.

The Annual Governance Statement: Year ended 31st March 2015 is within Appendix 1 on pages 11 to 15.

5.1 Annual Governance Statement: Year ended 31st March 2015

The Annual Governance Statement has been updated for the year ended 31st March 2015.

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, both capital and revenue, cash and non-cash. This includes £1m non-cash gains on the revaluations of fixed assets and £6.1m non-cash losses on the interim revaluation of the pension fund. The total net deficit of £2.7m also includes costs of depreciation and gains on the sale of assets, which are not attributable to the Council Tax General Fund.

The Explanatory Foreword on pages 7 & 8 show the operational variances between the General Fund Budget approved in February 2014 and the actual performance. It is very difficult to relate the net CIES deficit to the General Fund favourable variance, but the table below reconciles the Net Cost of Services sub-total of £7.5m to the General Fund.

	£000s
CIES Net Cost of Services	7,512
LESS:-	
Depreciation and impairments - not a charge to tax-payers	-1,275
Losses on revaluation of of Property, Plant & Equipment	-270
Change in Unapplied Government Grants	320
Capital Expenditure Contribution	413
Minimum Revenue Provision	605
Transfers to/(from) Earmarked Reserves (excluding those funded from direct grants)	1,559
Interest payable	171
Interest Receivable	-155
(Surplus)/Deficit on Trading Undertakings (excluding amounts in adjs above)	36
Net impact of pensions adjustments	0
	<u>8,916</u>
Explanatory Foreword	
Amounts to be met from grants and local tax payers	8,970
Less Whitworth Town Council Precept	-54
	<u>8,916</u>

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 £1,938k across the General Fund operational services and the table on page 8 gives the significant elements of this variance. An additional £283k of this favourable variance has been used to support the capital programme (bringing the total capital support up to £413k) and additional contributions of £1,611k have been made to the Earmarked Reserves.

5.3 Core Statements – Balance Sheet page 19

The Balance Sheet on page 19 shows total reserves of £4m.

Property, Plant & Equipment has increased by £1.6m through £2.3m of capital investment, and £1.4m of revaluation increases and £0.6k revaluation losses, less depreciation and impairments of £1.2m and the net book value of sales £0.3m (see note 17a on page 42).

The £1m increase in Long Term Debtors is mainly pertaining to the Empty Homes Strategy as explained in Note 23 on page 49.

Short-term debtors have reduced as amounts due from central government at the end of 2013/14 have been received in 2014/15 and amounts due from other preceptors regarding both council tax and the new retained business rates system have fallen with surpluses being returned during 2014/15. Sundry operational debtors have gone up slightly since the previous year (see Note 27 on page 56).

Short-term Creditors have increased as amounts due to central government at the year-end include benefit subsidy of £707k and £559k business rates share of the surplus (see Note 32 on page 57 for further details).

The interim review of the Pension Fund has seen the deficit increase by £6.4m 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 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 2015 these totalled £13.6m 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)

The total amount transferred to reserves was £3,646k and the amount used from reserves was £1,355k, giving a net £2,291k increase during the year to a closing total of £10,533k. Note 34a gives more information on purpose and movement in these reserves.

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

The Council received £549k from the sale of assets in 2014/15. Other capital income included £175k in contributions from Together Housing and LCC and deferred capital receipts of £1,410k relating to the grant repayment due back from rental incomes on the Empty Homes Scheme over the next few years. From this £212k was used to support capital expenditure during the year, and the Empty Homes Scheme credit was transferred to the Deferred Capital Receipts as explained at Note 35c. This leaves a net capital reserve balance of £1,736k at year-end.

The monitoring report going to Cabinet in July will show the details behind £1,901k of capital expenditure which is being carried over to 2015/16 for ongoing projects which will require £943k from these resources.

5.3.5 Government Grants Unapplied (Note 34c - page 60 and Note 10 on page 36)

Rosendale is administering the Homes and Communities Agency Grant for the East Lancs Empty Homes Scheme. During 2014/15 £3,145k was received and £271k unapplied grant was brought forward, making a total of £3,416k which was applied during 2014/15 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)

Rosendale 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 £1,441k, of which this Council can keep £233k. Despite in-year collections exceeding the target, the arrears have risen by £441k to £4,444k against which there is a £2,245k provision for bad debts. The net arrears attributable to Rosendale Borough Council are £334k and these are shown in the main Debtors Note 27.

The second year under the new localised business rates scheme has also returned a surplus of £588k, of which this council can retain £235k. This is after an increase in the provision for rating appeals of £104k. The total arrears of £1,060k are offset by a bad debt provision of £869k and the net arrears attributable to Rosendale Borough Council are £99k and these are shown in the main Debtors Note 27.

COMMENTS FROM STATUTORY OFFICERS:

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. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

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

9. CONCLUSION

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

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

Background Papers	
Documents	Place of Inspection
Closure of Accounts working papers	Financial Services.