

NAME OF COMMITTEE	Audit Committee
DATE	22nd July 2014
REPORT TITLE	DRAFT STATEMENT OF ACCOUNTS 2013/2014
Report of	Chief Accountant
WARDS AFFECTED	All

Summary of report:

This report presents a summary of net revenue and capital expenditure for Members consideration of the Statement of Accounts and the Technical Appendix for 2013/14 (attached).

Financial implications:

There is a revenue underspend of £170,000 at the year end. This represents a significant achievement. This successful outcome is the result of much hard work by Council Members, officers and partner organisations. The underspend will be used to finance part of the investment in the Council's Transformation Programme (T18), details of which are shown in 2.1.

The latest budget monitoring report to the Resources Committee on 28 January 2014 anticipated an underspend of £140,000 for the year. It is pleasing to note that the Council's budget monitoring throughout the year was accurate in forecasting the year end position.

RECOMMENDATIONS:

The Draft Statement of Accounts together with the technical appendix for the financial year ended 31 March 2014 is noted.

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1. THE STATEMENT OF ACCOUNTS TO 31st MARCH 2014

- 1.1 The Accounts and Audit (England) Regulations 2013 set out the requirements for the production and publication of the Council's annual Statement of Accounts (SOA). These regulations introduce revised procedures for the certification, approval and publication of accounting statements. In particular, the requirement for Councils to approve the SOA prior to the external audit is removed. In line with common practice in the commercial sector, local authorities are now required to approve the accounts following the completion of the audit.
- 1.2 The SOA is an essential feature of public accountability, since it provides the stewardship report on the use of funds raised from the public. The closing of accounts is also important to the budgetary process, since it confirms the availability of reserves and balances for the future.
- 1.3 The attached SOA contains the Council's Financial Statements in full, including details of the Comprehensive Income and Expenditure Account, Balance Sheet and Collection Fund together with statements setting out movements in reserves and cash flows. In addition, the explanatory foreword summarises the major variations in income and expenditure from the original budget.
- 1.4 The accounts have been prepared in accordance with all relevant and appropriate accounting standards.

2. LOOKING FORWARD TO THE FUTURE

2.1 Transformation Programme (T18)

The Council continues to face significant reductions in Central Government funding. Because of the unprecedented scale of financial challenges in the next few years, the Council has embarked on a Transformation Programme 2018 (T18).

T18 is viewed as the primary driver to achieve the savings required over the next few years. This is a joint transformation programme with South Hams District Council, with whom the Council has been sharing services with since 2007. The council is preparing to provide its services in an entirely new way, by becoming more flexible and customer focused using the latest technology.

Services will be redesigned around our customers and communities and as a consequence we will remove all departmental silos. This will involve re-engineering over 400 business processes and sharing all of our corporate services and information technology systems. The main phase of the programme will be delivered during the spring of 2015.

Self service providing 24/7 access will be extended significantly enabling customers to access service delivery not just information. Many of our on-line transactions will become fully automated, improving response times whilst reducing staff input.

Both Councils have now made the decision to proceed with the programme (November 2013) and the major financial implication the Council has agreed to, is to "Approve an investment budget of £1.9 million for the T18 Programme

(WDBC's share of the overall budget of £4.85 million), to deliver annual recurring revenue savings of £1.3 million (WDBC's share of the savings of £3.8 million)". The payback period for the Programme is 2 years.

2.2 Localisation of Business Rates

The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme (BRRS) that enabled local authorities to retain a proportion of the Business Rates generated in their area, with effect from 1 April 2013.

There is a risk of volatility in the system because Councils are exposed to any loss of income if businesses go into decline. However, the BRRS allows Authorities to voluntarily form a 'pool'. Pooling mitigates each Authority's exposure to Business Rate income volatility as the risks are spread over a larger pool. In 2013/2014, West Devon Borough Council agreed to be part of a Devonwide pooling arrangement and the pooling gain achieved in the first year has equated to £24,447.

In line with good financial management principles, a provision has been made in the Accounts for likely refunds of business rates as a result of appeals, against the rateable value of business properties. The appeals provision is based on the total value of outstanding appeals at the year-end as advised by the Valuation Office Agency and on advice from them about the likely success rate of appeals.

2.3 Audit of the Accounts

Members are advised that the accounts are being audited by our External Auditors, Grant Thornton, during July and August. Following the Audit, the accounts will be brought back to the Audit Committee for approval on 23rd September 2014.

3. 2013/2014 FINANCIAL RESULTS

3.1 Revenue Expenditure

Revenue expenditure represents the ongoing costs of carrying out day-to-day operations, and is financed from council tax, fees and charges, government grants and interest earned on investment activity.

3.2 The Council's net budget requirement of £7.830 million was funded from Central Government Grant New Homes Bonus (£353K), National Non-Domestic Rates baseline funding (£1.440 million), Revenue Support Grant (£2.164 million) and the transfer of Collection Fund balance (£0.076 million) with the balance funded from local taxpayers (£3.797 million). In addition, the Council also generated income from services and other specific government grants, which supports the provision of services. This results in a gross Council budget for revenue of approximately £27 million.

3.3 There is a revenue underspend of £170,000 at the year end. This represents a significant achievement. This successful outcome is the result of much hard work by Council Members, officers and partner organisations. The underspend will be used to finance part of the investment in the Council's Transformation Programme (T18), details of which are in section 2.1.

3.4 The latest budget monitoring report to the Resources Committee on 28 January 2014 anticipated an underspend of £140,000 for the year. It is pleasing to note that the Council's budget monitoring throughout the year was accurate in forecasting the year end position.

3.5 **Capital Expenditure** Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £0.490million in 2013/14 and is analysed in the Explanatory Foreword to the accounts.

4. LEGAL IMPLICATIONS

4.1 The Statutory Powers that apply to this report are Section 151 Local Government Act 1972 Section 21 (12), Local Government Act 2003 and the Accounts and Audit (England) Regulations 2011 and 2013.

5. FINANCIAL IMPLICATIONS

5.1 The Council has an underspend of £170,000 in comparison to the Budget approved for 2013/14. This reflects tight management control of the revenue expenditure being maintained during 2013/14, and regular reporting to Members.

6. RISK MANAGEMENT

The Risk Management implications are shown at the end of this report in the Strategic Risks Template.

7. OTHER CONSIDERATIONS

Corporate priorities engaged:	Effective financial management underpins the achievement of all priorities.
Statutory powers:	Section 151 Local Government Act 1972 Section 21 (12), Local Government Act 2003 and the Accounts and Audit (England) Regulations 2011 and 2013.
Considerations of equality and human rights:	None directly arising from this report
Biodiversity considerations:	None directly arising from this report
Sustainability considerations:	None directly arising from this report
Crime and disorder implications:	None directly arising from this report
Background papers:	Corporate Finance working papers
Appendices attached:	Appendix A – Statement of Accounts (SOA) Appendix B – Technical Appendix

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status			Mitigating & Management actions	Ownership	
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
	Opportunity			-				
		To consider the Statement of Accounts which form an essential component of the Council's systems for public accountability. It also provides a platform for future resource planning.	3	1	↔	3	The Head of Finance signed the draft Financial Statement on the 30 th June 2014	The Head of Finance and Audit
	Risk							
		The Council doesn't review and approve the Statement of Accounts and consequently fails to comply with Statutory requirements.	4	1	↔	4	The accounts have been drawn up in strict accordance with the Code of Practice on Local Authority Accounting in the UK 2013/14 which is recognised by statute as representing proper accounting practice.	The Head of Finance and Audit

Direction of travel symbols ↓ ↑ ↔