

MIDDLESBROUGH COUNCIL

AGENDA ITEM 4

COMMITTEE REPORT

CORPORATE AFFAIRS AND AUDIT COMMITTEE

26TH SEPTEMBER 2014

STATEMENT OF ACCOUNTS 2013/14

Paul Slocombe – Chief Finance Officer

PURPOSE OF THE REPORT

1. The purpose of this report is for Members of the Corporate Affairs and Audit Committee to receive and review the 2013/14 Middlesbrough Council Statement of Accounts.

BACKGROUND

2. The Statement of Accounts is essentially a technical publication containing accounting statements that have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain and the Statutory Accounts and Audit Regulations (The Code). The Code is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts, which present a true and fair view of the position of a local authority.
3. The 2013/14 Statement of Accounts has been prepared in compliance with International Financial Reporting Standards (IFRS).
4. A summary of the main changes to the draft Statement of Accounts presented to Members in June 2014 is set out overleaf. The changes have no impact on the Council's overall financial standing.

	Issue	Alteration
1	Transfer of 2013/14 revenue saving between the Change Fund and General Balances	
	The draft accounts assumed that the net revenue saving of £3.6 million would be transferred to the Change Fund. It was subsequently agreed at Executive on 15 July 2014 that the saving should remain within General Balances.	£3.6 million transfer from the Change Fund reserve to General Balances.
2	Weekly Refuse Collection grant	
	The weekly refuse collection grant has been reclassified from a capital grant to a revenue grant.	A transfer of £1.010 million has been actioned between the Environmental & Regulatory Services and the Taxation and Non Specific Grant income lines on the Comprehensive Income & Expenditure Statement.
3	DRC revaluations	
	A number of Land & Building assets were valued on 1 st April 2013 using depreciated replacement cost (DRC) e.g. schools. A subsequent review of asset valuations as at 31 st March 2014 showed that there had been a significant increase in valuations. The accounts have been amended to reflect this.	Net increase of £14.369 million in the value of Land & Building assets on the Balance Sheet.
4	Direct Payments	
	The repayment of Direct Payment surpluses had been incorrectly treated as income rather than a reduction in expenditure.	Gross expenditure and gross income on the Adult Social Care line of the Comprehensive Income & Expenditure Statement has been reduced by £668k.
5	REFCUS expenditure	
	Several grants have been incorrectly classified as capital grants rather than REFCUS (Revenue Expenditure Funded From Capital Under Statute) grants.	A transfer of £1.374 million has been actioned between service income lines and the Taxation and Non Specific grant income line on the Comprehensive Income & Expenditure Statement.

Attached to this report are extracts from the audited Statement of Accounts 2013/2014:

- **Appendix A - Foreword**

This provides information on the format the Statement of Accounts as well as a review of the financial position of the Council for the financial year 2013/14.

- **Appendix B - Comprehensive Income and Expenditure Statement.**

This is equivalent to a profit and loss account in a private sector companies accounts. It shows the income and expenditure of all the Council's functions, the net cost of Council services for the financial year and demonstrates how this has been funded (e.g. Government Grants, Non Domestic Rates and Council Tax). The format of the income and expenditure of the Council's services is presented using the Code of Practice on Local Authority Reporting Standards 2013/14 (The Code) classification, a statutory requirement.

- **Appendix C - Balance Sheet.**

This statement is important to the understanding of the local authority's financial position as at the 31st March 2014. It reports details of, the value of assets owned by the council, the level of creditors (amounts owed by the Council), the level of debtors (amounts owed to the Council) and the level of provisions and balances maintained by the Council.

- **Appendix D – Movement on Reserves Statement.**

This statement shows the movement in the year on the different reserves held by the Council, split into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

- **Appendix E - Cash Flow Statement.**

This Statement explains the movement in the Council's cash balances over the year and summarises the inflows and outflows of cash. The other main Statements are produced on an accruals basis, whereby income and expenditure are matched to the period to which they relate whether or not it has been paid or received. This Statement has any non-cash accounting adjustments and accruals removed and displays the situation relating to actual cash received from third parties and actual cash paid to third parties.

- **Appendix F - Collection Fund Statement.**

This statement has no equivalent in the private sector. It is required by statute and shows the transactions the Council has undertaken in relation to Non-Domestic Rates and Council Tax income collection.

- **Appendix G – Teesside Pension Fund Statement.**

The Pension Fund Accounts show the contributions to the Council's Pension Fund, for employees employed by the contributing bodies during 2013/14 together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the fund as at 31 March 2014.

5. A copy of the full Statement of Accounts has been made available to all Members of the Corporate Affairs & Audit Committee and a copy has been placed within the Members Library. In addition a copy of the accounts will be made available on the Council's website, once the External Auditor has signed the document.
6. The Statement of Accounts have been audited by Deloitte. Matters arising from the audit have been summarised in a report by the External Auditor that will be presented to the Committee.

EXTERNAL CONSULTATION

7. Notice was given in the local press for any interested person to inspect, and make copies of, the Statement of Accounts and other supporting documents between 1 July and 28 July 2014. There was one interested person this year.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

8. Overall the accounts show a sound financial position for the Council with the level of balances being in line with the Council's Medium Term Financial Plan.

RECOMMENDATIONS

9. It is recommended that Members approve the final 2013/14 Statement of Accounts.

REASONS

10. The recommendation is supported by the requirement to comply with the 2004 Accounts and Audit Regulations, which require the audited Statement of Accounts to be approved by the 30th September 2014.

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