

Audit Committee, 19 September 2012

2011/12 Statement of Accounts

Key changes and highlights

Martyn Scull
Group Accountant

Sarah Diccote
Group Accountant

1

Areas to be covered

- Legal background
- Changes to Code of Practice for 2011/12 statement
- Financial highlights
- Differences between Management Accounts and Statement of Accounts
- Questions

2

The Legal Framework

- Audit Commission Act 1998 – requirement to prepare an annual Statement of Accounts
- Local Government Act 2003 - accounts to be prepared in accordance with 'proper accounting practices' and the Accounts and Audit Regulations 2003 (as amended in 2011)
- Proper accounting practices are defined by the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* (the 'Code') (previously the SORP)
- Local Government & Housing Act 1989 - separate Housing Revenue Account (HRA) - 'ring-fenced'
- Statutory requirement to maintain a separate Collection Fund for council tax and business rates

3

Code of Practice on Local Authority Accounting – the rules!

- Accounts must be prepared in accordance with the Code
- From 2010/11 the Code is based on International Financial Reporting Standards (IFRS)
- Additional requirements for 2011/12 e.g. Heritage Assets
- 2011/12 Code guidance notes have 827 pages
- 2011/12 Statement of Accounts has 130 pages (65 pages in 2005/06)

4

Main Presentational Changes

- Heritage Assets – recognised in Financial Statements for the first time
- Related party disclosures – amended definitions and disclosures
- New disclosure for the number and cost of agreed exit packages
- Additional disclosure requirements for 'soft' loans
- New disclosure requirements in relation to Trust Funds (reinstatement of previous SORP requirement)

5

Financial highlights in 2011/12 - General Fund Revenue Expenditure

- **Enhancing and Protecting our Environment £3.103 million**
Includes Parks & Gardens, Allotments, Refuse collection, Recycling, Pollution control, Pest control, Shopmobility
- **Strengthening our Economy £371,000**
Includes Business & Economic development, Tourism, Twinning
- **Strengthening our Communities £4.897 million**
Includes disabled facilities grants, Homelessness, Single Advice contract, crime and disorder, leisure @, sports development
- **Enhancing the provision of Arts & Culture £2.186 million**
Includes Art Gallery & Museum, Town Hall & Pump Rooms, Everyman Theatre, Arts grants/enabling

Page 11 provides a further breakdown of revenue expenditure in 2011/12 by council priority.

6

Financial highlights in 2011/12 – General Fund

- Overall under-spend compared to revised budget for the GF of £150,000, included in the GF balance of £2.253 million at year end.
- Overall reduction in Net Assets of £31.7 million, mainly as a result of :
 - Increased long term borrowing to fund buy out of HRA subsidy of £27.4 million
 - Increase in Pensions liability of £8.4 million

Offset by-
Revaluation gains on property assets of £2.9 million
Increased value of Icelandic bank investments of £0.3 million

- Earmarked reserves reduced by £1.2 million.

7

Financial highlights 2011/12 - Capital

- £13 million spent on capital items, including:

£4.7 m - housing stock
£1.8 m - provision of affordable housing
£1.2 m - recycling vehicles, bins and caddies
£1.0 m - contribution towards the Art Gallery & Museum redevelopment
£1.25 m - towards the Everyman redevelopment project
£1.20 m - loan to Gloucestershire Airport for the runway project

- £2.4 million in capital receipts were received, of which £1 million was used to fund capital expenditure and £0.5 million paid to the national HRA capital receipts pool
- £1 million in partnership funding was used
- £4.7 million in prudential borrowing

8

Financial highlights 2011/12 – Housing Revenue Account (HRA)

- Under-spend compared to revised budget for the HRA of £391,000
- Overall reduction in HRA balance from £3.7 million to £3.1 million
- HRA Self Financing Settlement - £27.4 million
- 9 properties sold, 1 addition

9

Financial highlights 2011/12 – Group Accounts

- Group accounts show net assets of £204 million, a reduction of £38 million:
 - £31.7 m reduction in GF reserves
 - £6.2 m downward revaluation in Glos. Airport
- Property, Plant & Equipment includes £3.6 million for CBH dwellings under construction

10

Icelandic Bank investments

- Repayments of £6.7 million received in 2011/12, as shown Page 69
- Increase in value of remaining loans of £0.4 million
- Interest due of £0.380 million credited to I&E and transferred to reserves for future possible debt repayment
- Of the original £11 million invested an estimated £10.4 million (94%) will currently be recovered, subject to exchange rate fluctuations
- But no interest is receivable from the claim to the repayment dates

11

Ongoing / Future Plans

- Commissioning
- Civic Pride
- Gloucestershire Airport – Runway project
- Bridging the Gap
- Art Gallery & Museum Redevelopment
- St Pauls Regeneration
- HRA Self Financing
- Flood Relief Work
- Sale of North Place and Portland Street Car Parks

Pages 13 – 17 provide details

12

Difference between Management Accounts and Statement of Accounts

- **£150k surplus** on Management accounts (page 9), as reported to Council June 2012
- **£25 million deficit** on Comprehensive Income & Expenditure Statement (page 21)

Comprehensive Income & Expenditure Statement includes:

- Housing Revenue Account (HRA) - £26.6 million deficit
- Items such as depreciation, capital grants, gains or losses on asset disposals, and additional pension costs. These items are taken out of the surplus or deficit of the I&E in the Movement in Reserves Statement, so they do not impact on council tax

Management accounts include:

- Items such as debt repayments, revenue funding of capital expenditure and transfers to and from earmarked reserves. These items are added to the surplus or deficit of the I&E in the Movement in Reserves Statement, to ensure they do impact on council tax

13

Any Questions?



14