

**To the Chair and Members of the
AUDIT COMMITTEE**

STATEMENT OF ACCOUNTS 2012/13

EXECUTIVE SUMMARY

1. This report presents the unaudited Statement of Accounts for the 2012/13 financial year.
2. The Accounts and Audit (England) Regulations 2011 apply to the preparation, approval and audit of the Statements of Accounts and other financial statements and, as reported last year, there is no longer a requirement to present the draft accounts to Members before the external audit process commences. Instead, there is a requirement to obtain certification of the accounts by the responsible financial officer, who in our case is the Director of Finance and Corporate Services, by the 30th June each year. The deadline for the date of approval and publication of the final Statement of Accounts remains unchanged at 30th September.
4. It is good practice to continue to present the draft Statement of Accounts to Members at this stage as it gives Members early notification of the financial outcome of the previous financial year. It also gives Members the opportunity to ask questions and seek clarification of issues prior to the completion of the external audit.

EXEMPT REPORT

5. Not applicable

RECOMMENDATION

6. Members are requested to note the 2012/13 Statement of Accounts.

BACKGROUND

7. The Council's 2012/13 accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) accounting standards and the appropriate accounting codes of practice and have been approved by the Council's responsible financial officer on the 30th June in order to comply with the Accounts and Audit (England) Regulations 2011
8. The accounts will be put 'on deposit' for public scrutiny for a 4 week period from 22nd July to 16th August. This was advertised to the public on 1st July in the Doncaster Star and on the Council's website . The unaudited accounts were placed on the Council's website on the same date in line with the

Government's policy of increased transparency in the public sector with public scrutiny of the accounts being a key feature of the financial governance framework of local authorities.

9. The accounts are subject to external audit during the period June to September, and it is expected that the audit opinion will be finalised by 30th September. The Council has an excellent track record in receiving an unqualified audit opinion on its accounts. A report will be presented by KPMG to this Committee on 30th September setting out the result of the external audit in the form of their Annual Governance Report for 2012/13.
10. Members should note that KPMG's assessment of the Council is based on the accurate preparation of the Council's accounts, the good standard of supporting working papers and the sound and proper interpretation of the accounting standards. Every effort has been made to ensure we produce a good quality set of accounts and financial management staff have, once again, worked closely with external audit to minimise the risk of any problems arising during the preparation of the accounts.
11. Members of this Committee have a key role in scrutinising the accounts. Whilst explanations of the accounts are contained in the explanatory foreword to the financial statements, it is worthwhile highlighting some specific points for the year. These are provided in paragraphs 12 to 18 below. It should be noted that the accounts are prepared in a specific accounting format, which is set out in legislation, and as a result, they are not the most understandable of documents. The intent of the whole suite of financial statements is to give clear information about the Council's finances and, in particular, the overall financial position of the Council as a single entity and the position of the 'Group' (see paragraph 18 below); the cost of services provided by the Council and how these have been financed; any surpluses or deficits made by the Council; and the value of the Council's assets, liabilities and reserves at the year end.
12. At their meeting on the 19th June 2013, Cabinet were presented with the revenue and capital final accounts in the Council Cabinet Portfolios, consistent with the format used to agree the Council's budget and which in summary show for the 2012/13 accounts:

Total net revenue spending was £238.0m compared to a net budget of £243.3m giving an under spend of £5.3m. This is after allowing for agreed accruals that have been carried forward of £1.1m, and includes £3.8m of Childrens Service income that has been written out to revenue;

A Housing Revenue Account (HRA) surplus of £2.5m which has been added to the HRA working balances giving a total of £9.2m as at 31st March 2013; and

Total spending on the capital programme for 2012/13 was £120.4m compared with a budget of £168.5m.

The draft Statement of Accounts for 2012/13 has been prepared to comply with the 2012/13 Code of Practice on Local Authority Accounting (the 'Code') and the Service Reporting Code of Practice ('SeRCOP') and are compliant with both IFRS and the legal requirement for local authorities.

14. For Members, probably the most important issue will be whether the authority has a surplus or deficit compared to its budget for the year. The Movement in Reserves Statement (page 14 of the draft accounts) gives this information with a separate column being provided for both the General Fund and the Housing Revenue Account (HRA). The net increase or decrease gives the change in these balances over the year. The movement in the General Fund balance is the same as that reported to Members as part of the outturn report.
15. The Council's net worth has decreased by £65.1m to £496.5m since the previous financial statements. This is principally due to the worsening position on the Council's net pension deficit, a further deficit in year of £77.9m. The Council's net pension deficit as at 31st March 2013 now stands at £395.9m being the present value of the scheme liabilities (£1,195.0m) which are in excess of the fair value of the scheme assets (£799.1m). It should be noted that we also include an estimate for our share of the SLHD net pension deficit for staff who transferred to SLHD on 1st October 2005 and this has been assessed by the actuary at £9.1m as at 31st March 2013.
16. The deficit of £34.6m shown in the Comprehensive Income and Expenditure Statement (CIES), as in 2011/12 (see page 13), is an indication that the costs of providing the year's services have not been covered by income.
17. Reserves are an indication of the resources available to an authority to deliver services. Not all reserves can be used to deliver services and this is reflected by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves (£101.3m as at 31st March 2013), such as the General Fund uncommitted reserves (£11.9m) and earmarked reserves (£38.5m), are those which Members will be involved in deciding the levels maintained and their use. Unusable reserves (£395.2m) such as the Revaluation Reserve and the Capital Adjustment Account are determined by technical accounting rules and not available for use by the Council.
18. The Statement of Accounts also includes group account statements for the Council, its subsidiary company ('SLHD') and its jointly controlled entities (Digital Region Limited ('DRL') and Doncaster Racecourse Management Company Limited ('DRMCL')). These are shown from page 130 onwards. The Council's share of the group's reserves are a negative £14.5m (negative £12.2m in 2011/12). This is made up of negative net worth balances of £7.8m for DRL (being our share of the anticipated deficits arising from future business operations) and £7.8m for SLHD (being our guarantee for SLHD's post-transfer net pension deficit). It should be noted that a provision has been made in the accounts in the last two financial years to mitigate the projected future deficits on DRL. This position is partially offset by a positive net worth of £1.1m in respect of the group's share of DRMCL. Including our single entity reserves of £496.5m, this results in a group net worth of £482.0m (£549.4m in 2011/12).

OPTIONS CONSIDERED

19. The main content and format of the Statement of Accounts is set out in the Code of Practice on Local Authority Accounting for 2012/13.

IMPACT ON THE COUNCIL'S KEY OBJECTIVES

20. These are detailed in the table below:-

Doncaster Priorities	Implications of this initiative
A Prosperous Place	All the priorities of the Council are addressed as part of the budget setting process and the Statement of Accounts is an outcome of that process.
Skills & Lifelong Learning	
Healthy & Caring	
Safer, Cleaner & Greener	
Equality of Opportunity (Cross-Cutting)	
Improving Neighbourhoods Together (Cross-cutting)	
Protecting The Environment (Cross-cutting)	

RISK AND ASSUMPTIONS

21. The table below highlights the most significant risks that could have a negative impact on the deliverability of the Council's financial position and the action taken to mitigate them.

Risks/Assumptions	Probability	Impact	Proposed Action
Robustness of correct outturn figure	Low	Medium	<ul style="list-style-type: none"> Work has been undertaken during monitoring and closedown process to process all transactions, and prepare for audit. This has included increases in senior officer quality control and checks.
The Audit identifies a material / significant finding or inaccuracy in the production of the accounts.	Low	High	<ul style="list-style-type: none"> Continuous dialogue with Audit Commission throughout the year Specific discussions on key complex areas as part of the regular liaison group meetings

LEGAL IMPLICATIONS

22. Section 27 of the Audit Commission Act 1998 specifies that the Secretary of State may, by regulations applying to bodies subject to audit other than health service bodies, make provision with respect to the form, preparation and certification of accounts and of statements of accounts.

23. The Accounts and Audit (England) Regulations 2011 under regulation 8(2) provides that the Council's responsible financial officer must certify the Statement of Accounts, as soon as is reasonably practicable and, in any event, before 30th June immediately following the end of a year.

FINANCIAL IMPLICATIONS

24. The Council's Accounts are prepared in line with the Accounts and Audit (England) Regulations 2011 and International Financial Reporting Standards.

CONSULTATION

25. This report has significant implications in terms of the following:

Procurement	N/A	Crime & Disorder	N/A
Human Resources	N/A	Human Rights & Equalities	N/A
Buildings, Land and Occupiers	N/A	Environment & Sustainability	N/A
ICT	N/A	Capital Programme	N/A

CONCLUSIONS

26. The unaudited accounts are presented for noting by the Audit Committee. They have been prepared by staff with technical and detailed knowledge of the Council's financial affairs in accordance with the latest guidance and legislation. They have been prepared to present a true and fair view of the financial position of the Council as at 31st March 2013. Key issues contained in the accounts have been summarised above and Members will have the opportunity to ask questions at the Committee meeting. A report will be presented by the Audit Commission to this Committee on 30th September setting out the result of the external audit in the form of their Annual Governance Report for 2012/13.

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Background Papers: Accounts and Audit (England) Regulations 2011
The Code of Practice on Local Authority Accounting 2012/13 (The Code) - based on IFRS

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