

Agenda Item 12
Report SAC 10/13

Report to: **Standards and Audit Committee**

Date: **25 June 2013**

By: **Chief Finance Officer**

Title of Report: **Un-Audited Statement of Accounts 2012/13**

Purpose of Report: **To note the un-audited Statement of Accounts 2012/13 and provide information on the Authority's pension fund.**

The Committee is recommended to:

1) note the draft Statement of Accounts for 2012/13 as shown in Appendix 2 to the report and note that these are subject to Audit.

1 Introduction

- 1.1 Under the Accounts and Audit Regulations 2011, the South Downs National Park Authority's (the Authority) Statement of Accounts for 2012/13 are to be approved by the Chief Finance Officer by 30 June 2013, and following the audit process, must be approved by Members by the 30 September 2013. Under the Committee's terms of reference, the Standards and Audit Committee is charged with this responsibility.-
- 1.2 Accordingly, this report presents the un-audited Statement of Accounts for 2012/13 for information purposes only as at this stage, the accounts have not been audited by the external auditor (Ernst & Young). It is expected that the external auditor will present an Annual Governance Report to the September meeting of this Committee on the conclusion of the audit of the 2012/13 financial statements. An accompanying officer report will be presented to that meeting, to enable Members to consider and approve the Statement of Accounts.

2 Background

- 2.1 The main legislative requirements relating to the preparation, publication and audit of the Authority's accounts are contained in the Audit Commission Act 1998 and the Accounts and Audit Regulations 2011 made under Section 27 of the 1998 Act.
- 2.2 It is a requirement that the annual accounts should be prepared as soon as practicable after the end of the financial year, and considered and approved by a resolution of that Committee or the Full Authority by the 30 September. Therefore the accounts must be published and signed off by the external auditor as soon as reasonably possible after the conclusion of the audit and by the 30 September.

3 Format of the Statement of Accounts

- 3.1 The Authority is required to present its financial statements in a Financial Reporting Standards (IFRS) basis in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and cover the period 1 April 2012 to 31 March 2013.
- 3.2 The purpose of the Statement of Accounts is to provide information to a whole range of stakeholders and the general public about the financial position, financial performance and cash flows of the Authority and to provide answers to basic questions such as:

- What did the Authority's services and capital programme cost in 2012/13?
 - Where did the money come from?
 - What does the Authority own?
 - What commitments does the Authority have and what provisions and reserves has the Authority set against these?
 - What amounts were due and what was owed at the end of the financial year?
- 3.3 In accordance with the Accounts and Audit Regulations, the Statement of Accounts includes an explanatory foreword, a statement of responsibilities together with the core financial statements, supplementary statements, the notes to the accounts and accounting policies.
- 3.4 The Statement of Accounts would normally comprise both "Single Entity Accounts", which are in respect of wholly Authority controlled activities, and "Group Accounts" in respect of activities where the Authority has a significant interest or share in a subsidiary, associate or joint venture entity. However, as last year, there are no other activities requiring the preparation of Group Accounts in 2012/13.
- 3.5 The Single Entity core financial statements included within the Statement of Accounts comprise the following:-
- Movements in Reserves Statement
 - Comprehensive Income and Expenditure Statement
 - Balance Sheet
 - Cash Flow Statement
 - Notes to the Financial Statements
 - Statement of Accounting Policies
- 3.6 The explanatory foreword included in the Statement of Accounts aims to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. A brief commentary on the key aspects of the 2012/13 Statement of Accounts is included in **Appendix I** to this report.
- #### 4 Preparation of the Statement of Accounts
- 4.1 The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2012/13, issued by CIPFA (the Code). There has been no deviation from the requirements of the Code and all accounting policies adopted by the Authority for the 2012/13 Statement of Accounts are in line with the requirements of the Code. The un-audited Statement of Accounts is included in **Appendix 2**.
- 4.2 The accounts have been prepared by appropriately qualified and trained officers from Brighton & Hove City Council as the Authority's financial support service provider. Finance officers who are involved in the preparation of the Statement of Accounts attend regular training to ensure they maintain an up to date knowledge of requirements and continuous professional development.
- 4.3 Officers have made reference to CIPFA's Practitioner's Guidance Notes, disclosure checklists and other technical guidance in preparing the Statement of Accounts to ensure compliance with all statutory and other regulatory requirements. Officers also liaise closely with the external auditor during the preparation of the financial statements and during the audit of the accounts to ensure prompt and successful resolution of any queries.
- 4.4 The Authority makes a number of critical judgements, accounting estimates and assumptions in the preparation of the financial statements; the details are disclosed in note 3 to the financial statements.
- 4.5 Resources and Performance Committee have received Quarterly Budget Monitoring reports in respect of the Authority's capital and revenue forecast against 2012/13 Budget during the year. The Provisional Outturn report was reported to Resources and Performance Committee on 20 June 2013 and is also included on this agenda for information. The Provisional Outturn report provides information on the net revenue underspend of £0.111 million which includes the

requested budget carry forwards of £0.944 million, subject to Resources and Performance Committee approval.

- 4.6 The level of total usable reserves (general fund working balance, earmarked general reserves and capital grants unapplied) held at 31 March 2013 was £6.251 million as shown in the Movement in Reserves Statement.

5 WSCC Pension Fund

- 5.1 The Authority participates in the Local Government Pension Scheme administered by West Sussex County Council (WSCC). The scheme is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- 5.2 The West Sussex County Council Pensions Panel (comprising seven county councillors and three non-voting representatives, one from the district councils, one from the other major employers and one from the staff side) is responsible for the management of the Pension Fund and is supported by the fund adviser and the WSCC Executive Director Finance and Performance. The Panel complies with best practice covering governance, knowledge and skills, effective decision making, investment objectives, performance assessment and transparency. The Pensions Panel is responsible for the appointment of professional and specialist investment advisers and managers, the Fund's investment policy and performance and considering key scheme issues outside the investment field.
- 5.3 The WSCC Pension Fund invests the contributions and investment income, which is not required to pay benefits, in stocks and shares, property and private equity. At 31 March 2013, the total Fund was valued at £2,356 million, an increase of over £314 million compared to 31 March 2012. The Fund's liabilities are valued every three years and compared to the assets held. The outcome of this valuation exercise sets future employer contribution rates. The most recent valuation was completed as at 31 March 2010 and showed the Fund to be 86% funded which was the second best funding position compared to the other Society of County Treasurer Authorities. It is important to note that material pension fund shortfalls are rarely funded in one go. The County Council's strategy is to phase in its own contribution rate increases over three years, with the view of recovering the deficit over 20 years. The next WSCC Pension Fund three year valuation will take into account changes in assumptions, changes in legislation, accounting practices and changes to the Fund.
- 5.4 The Authority's pension valuation as at 31 March 2013 shows that the present value of scheme liabilities and expected return on scheme assets resulted in a net deficit of £0.478 million. This has significantly increased from last year's figure of £0.054 million because of the following factors:
- The deficit has increased due to falling real bond yields
 - The projected pension expense has risen due to falling bond prices
 - The expected return on assets assumption for 2013/14 has reduced due to accounting changes coming into effect next year
 - The valuation now reflects a full establishment
 - These reductions are partly offset by strong asset returns
- 5.5 The outcome of the three year revaluation of WSCC Pension Fund due later in the year will inform the Authority of any required increases to employer's superannuation to fund any deficits over a 20 year period. Any increases in employer's contributions will be built into the 2014/15 Budget Strategy and Medium Term Financial Strategy.

6 Public Inspection of the Accounts

- 6.1 Members of the public, in accordance with the Audit Commission Act 1998, are granted access for a 4 week period to the Authority's Un-audited Statement of Accounts and are invited to enquire on any aspect of the Accounts. The period for inspection will be 24 June 2013 to 19 July 2013.
- 6.2 If a member of the public is not satisfied with the response received, they are able to lodge a formal objection to the Accounts with the external auditors, Ernst & Young.

7 Resources

7.1 There are no resource implications from this report.

8 Risk Management

8.1 There has been no direct risk assessment for this report.

9 Human Rights, Equalities, Health and Safety

9.1 There are no implications arising from this report.

10 Sustainability

10.1 There are no implications arising from this report

11 External Consultees.

11.1 None.

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Appendices Appendix 1: Commentary of the Statement of Accounts

Appendix 2: Un-audited Statement of Accounts 2012/13

SDNPA Consultees Monitoring Officer, Strategic Management Team

Background Documents None

Commentary on the Statement of Accounts

Movement in Reserves Statement

The level of General Fund balance held at 31 March 2013 was £0.669 million; this represents the working balance of the Authority and is deemed appropriate by the Authority's Chief Finance Officer. In addition, there are also earmarked reserves of £5.389 million which represent funding that has been set aside for a specific purpose. Details of Earmarked Reserves held can be found in the note 7 to the financial statements.

Segmental Reporting

The Code includes a requirement to disclose segmental reporting information with the aim to disclose information to enable users of the Authority's financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates. Information on reportable operating segments is presented in note 22 and includes the following;

- An analysis of the income and expenditure for each segment which includes those items of income and expenditure that are reported as part of the Authority's internal management reporting;
- A reconciliation between the segment reporting analysis and the cost of services in the Comprehensive Income and Expenditure Statement;
- A reconciliation between the segment reporting analysis and an analysis of total income and expenditure (i.e. a subjective analysis);
- Information on services included within each operating segment.

Reportable operating segments are based on the Authority's internal management reporting.

Balance Sheet

This statement is particularly technical, which is unavoidable given the requirement to observe the requirement of the Code and the complex capital accounting, financial instrument and pension reporting standards. There are explanatory notes to the Balance Sheet in the Statement of Accounts.

Non Current Assets

The level of non current assets (property, plant and equipment) was £1.206 million as at 31 March 2013. The in-year movement in non current assets is detailed in note 11 to the core financial statements. The increase in movement of £1.035 million relates to the following:

- New additions of £0.012 million for a mower and £1.057 million for South Downs Centre.
- Depreciation on vehicles of £0.034 million

Investments

At 31 March 2013, the Authority had cash and cash equivalents totalling £7.169 million. Investments are made by the treasury team at Brighton & Hove City Council under the Financial Support Service contract. Note 23 to the financial statements provides further information on investments.

Pension Liability

The pension liability (net of pension assets) was £0.478 million at 31 March 2013. The Authority also

recognises a reserve for the expected net pension liability. Therefore, amounts included in the Authority's accounts in relation to post employment benefits have no effect on the overall financial position as the Liability is offset by a Pensions Reserve.

Provisions

Provisions have been made in the accounts for liabilities existing at the 31 March 2013 that are reasonably certain and can be estimated with reasonable accuracy. Provisions are included for Accumulated Absences of £0.057 million. This relates to employee's accumulated compensated absences (e.g. annual leave and flexi-leave) that are carried forward for use in future accounting periods where the current period's entitlements are not used in full.