
Dear Councillor

AUDIT COMMITTEE – 26 JUNE 2015

Agenda Item 13 – Draft Annual Financial Report 2014/15 (Statement of Accounts)

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AUDIT COMMITTEE: 26 JUNE 2015

DRAFT ANNUAL FINANCIAL REPORT 2014/15

1. INTRODUCTION

- 1.1 The Council's statutory Annual Financial Report, which includes six Statements of Account, will be presented to this Committee in September, after the completion of the external audit. Prior to submission for audit, by the deadline of 30 June, it will be certified by the Responsible Financial (s151) Officer, as complete and presenting the position of the Council, as at 31st March 2015.

2. PURPOSE OF THIS REPORT

- 2.1 The purpose of this report is to update Members on progress to achieve the required timetable, to advise Members of key issues in the planned report and to seek Members approval for any changes to Accounting Policies.

3. STATEMENT OF ACCOUNTS POSITION

- 3.1 The Council is required to include the following accounting statements within the Annual Financial Report

- A) Comprehensive Income and Expenditure Statement
- B) Movement in Reserves
- C) Balance Sheet
- D) Housing Revenue Account
- E) Collection Fund (2 separate accounts)
- F) Cash Flow Statement

The draft Accounting Statements for 2014/15, prior to external audit, are set out in Appendices 1-7.

4. ACCOUNTING POLICY CHANGES AND OTHER KEY ISSUES

- 4.1 There has been no requirement to change any Accounting Policies for 2014/15.
- 4.2 The Business Rates Retention Scheme was introduced on 1 April 2013. This resulted in major changes to the way that business rates have been accounted for and reflected in the Collection Fund and the Council's accounting statements since 2013/14. It includes a requirement to make provision for anticipated successful appeals against rating assessments that are backdated, in most cases to 2010, and in some cases to 2005. In 2013/14 the Council made an overall provision of £7.15 million against the 2013/14 annual income of £63.5 million. During 2014/15 c£2.2 million of these appeals have been settled but the Council has been informed about an expected additional successful appeal for Medical Centres that is expected to result in repayments of c£3.6 million. To allow for these and for the additional repayments expected from sums collected during 14/15 the overall provision has been increased to £11 million.
- 4.3 During 2014/15 there has been change in the Council's investment strategy, resulting in a move back into longer term investments and into wider investment categories. This has resulted in investments now being shown in 5 separate lines on the balance sheet rather than just two lines, as in 2013/14. These are summarised below:

	2013/14 £'000	2014/15 £'000
Long Term Investments	0	4,000
Long Term Investment Assets Available for Sale	0	2,040
Short Term Investments	25,105	10,060
Short Term Investment Assets Available for Sale	0	15,148
Cash and Cash Equivalents	16,614	19,476
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	41,719	50,724

The increase in the level of investment resources is principally due to the increase in usable reserves detailed in paragraph 5.1 and the increase in the Business Rates Appeals provision detailed in paragraph 4.2.

5. SUMMARY OF FINANCIAL POSITION

- 5.1 The Comprehensive Income and Expenditure Statement and Balance Sheet show the Council's net worth to have increased by £28.1 million during 2014/15. The principal reasons for this are summarised as follows:

	£m
Increase in valuation of Housing Assets	34.2
Increase in net Pension Liability	-11.3
Reduction in other Unusable Reserves	-0.4
Increase in Housing Revenue Account/ Housing Acquisitions & Development Reserve	3.0 *
Increase in Capital Programme Reserve	1.2 *
Increase in Capital Receipts & Developers' contributions	1.0 *
Increase in other Earmarked Reserves	0.4 *

	28.1

Of the £28.1m, £5.6 million (asterisked) are usable resources and £22.5 million are unusable resources.

- 5.2 The Council's original General Fund budget allowed for a transfer into the Capital Programme Reserve of £185,000. The outturn position shows a contribution of £1.162 million into the Capital Programme Reserve. The movement of £977,000 is consistent with the overall General Fund saving of £622,000 reported to Cabinet in June, together with additional net receipts of £310,000 from Business Rates and £5,000 of net additional savings identified since June Cabinet.
- 5.3 The Performance report presented to Cabinet in June identified a provisional Housing Revenue Account operating surplus of £612,000 for 2014/15. In order to ensure the optimum use of capital resources, capital receipts and S106 contributions totalling £1.447 million have been used to part finance the capital programme rather than revenue resources. These items, together with the original anticipated budget surplus of £1.065 million and further savings of £76,000, identified since June Cabinet, have enabled an overall transfer of £3.2 million to the Housing Acquisitions and Developments Reserve.

6. RECOMMENDATIONS

- 6.1 That Members note the draft Accounting Statements set out in Appendices 1-7 which are a summary of the Annual Financial Report that will be certified by the Responsible Financial (s151) Officer for submission to the external auditor by the deadline of 30 June.

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Background Papers:
June Cabinet 2015 Agenda Item 4
February Cabinet 2015 Reports A&B

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14				2014/15		
Gross Expend £000	Income £000	Net Expend £000	Note	Gross Expend £000	Income £000	Net Expend £000
2,910	(1,041)	1,869		2,345	(1,249)	1,096
6,823	(7,397)	(574)		11,239	(7,044)	4,195
13,294	(3,089)	10,205		12,870	(3,049)	9,821
4,175	(1,472)	2,703		3,901	(1,759)	2,142
2,698	(3,391)	(693)		3,060	(3,502)	(442)
5,582	(26,681)	(21,099)		(13,600)	(27,682)	(41,282)
48,494	(46,984)	1,510		48,719	(46,803)	1,916
20	(7)	13		7	(2)	5
2,516	(113)	2,403		2,536	(99)	2,437
0	0	0		0	0	0
40	(25)	15		24	(25)	(1)
86,552	(90,200)	(3,648)	Cost of Services	71,101	(91,214)	(20,113)
			10			
			Other Operating Expenditure			
4,433			Town and Parish Council Precepts	4,698		
533			Payments to the Government Housing Capital Receipts Pool	561		
	(1,224)		(Gains)/Losses on the disposal of Non-Current Assets		(1,759)	
	0		VAT Refund		(53)	
		3,742	Total Other Operating Expenditure			3,447
			Financing and Investment Income and Expenditure			
			Interest Payable and Similar Charges:			
2			- General Fund	0		
4,467			- HRA	4,466		
			Interest Receivable and Similar Income:			
	(316)		- Other Investment Income		(456)	
3,760			Net interest on the net defined benefit liability (asset)	2,900		
	(226)		Income, expenditure and changes in the fair value of Investment Properties		7	
		7,687	Total Financing and Investment Income and Expenditure			6,917
			Taxation and Non-Specific Grant Income			
(15,215)			Council Taxpayers Income (incl. Parish precepts)		(15,397)	
(3,230)			Non Domestic Rates Income and Expenditure		(3,871)	
(6,472)			Non-Ringfenced Government Grants		(5,837)	
(1,794)			Capital Grants and Contributions		(1,065)	
		(26,711)	Total Taxation and Non-Specific Grant Income			(26,170)
		(18,930)	(Surplus)/Deficit on the Provision of Services			(35,919)
(560)			(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets		(609)	
0			(Surplus)/Deficit on Revaluation of Available for sale Financial Assets		(40)	
(22,520)			Re-measurement of the defined benefit liability (asset)		8,460	
		(23,080)	Other Comprehensive Income and Expenditure			7,811
		(42,010)	Total Comprehensive Income and Expenditure			(28,108)
			5			

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund / HRA Reserves	Housing Revenue Account	Capital Programme Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Developers' Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013	(2,036)	(955)	(5,313)	(7,538)	(3,699)	0	(3,975)	(23,516)	(108,043)	(131,559)
<i>Movement in reserves during 2013/14</i>										
(Surplus) or deficit on the provision of services	(1,182)	0	(17,748)	0	0	0	0	(18,930)	0	(18,930)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(23,080)	(23,080)
Total Comprehensive Income and Expenditure	(1,182)	0	(17,748)	0	0	0	0	(18,930)	(23,080)	(42,010)
Adjustments between accounting basis and funding basis under regulations (note 7)	(1,037)	0	12,406	0	(1,380)	0	1,189	11,178	(11,178)	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	(2,219)	0	(5,342)	0	(1,380)	0	1,189	(7,752)	(34,258)	(42,010)
Transfers to/(from) earmarked reserves (note 8/9)	2,219	(10,398)	9,436	(1,257)	0	0	0	0	0	0
(Increase) / Decrease in Year	0	(10,398)	4,094	(1,257)	(1,380)	0	1,189	(7,752)	(34,258)	(42,010)
Balance at 31 March 2014	(2,036)	(11,353)	(1,219)	(8,795)	(5,079)	0	(2,786)	(31,268)	(142,301)	(173,569)
<i>Movement in reserves during 2014/15</i>										
(Surplus) or deficit on the provision of services	2,172	0	(38,091)	0	0	0	0	(35,919)	0	(35,919)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	7,811	7,811
Total Comprehensive Income and Expenditure	2,172	0	(38,091)	0	0	0	0	(35,919)	7,811	(28,108)
Adjustments between accounting basis and funding basis under regulations (note 7)	(3,718)	0	35,097	0	(953)	0	(59)	30,367	(30,367)	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	(1,546)	0	(2,994)	0	(953)	0	(59)	(5,552)	(22,556)	(28,108)
Transfers to/(from) earmarked reserves (note 8/9)	1,546	(3,583)	3,199	(1,162)	0	0	0	0	0	0
(Increase) / Decrease in Year	0	(3,583)	205	(1,162)	(953)	0	(59)	(5,552)	(22,556)	(28,108)
Balance at 31 March 2015	(2,036)	(14,936)	(1,014)	(9,957)	(6,032)	0	(2,845)	(36,820)	(164,857)	(201,677)

BALANCE SHEET AS AT 31 MARCH

2013/14				2014/15	
£000	£000		Notes	£000	£000
		Long-Term Assets			
		Property, Plant and Equipment:			
282,952		Council Dwellings	11	317,871	
63,355		Other Land and Buildings	11	63,169	
3,797		Vehicles, Plant and Equipment	11	4,615	
6,358	356,462	Infrastructure Assets	11	5,662	391,317
	2,476	Investment Properties	12		2,325
	0	Investments	16		4,000
	0	Assets Available For Sale - Investments			2,040
	2,356	Long-Term Debtors	14		2,157
	361,294	Total Long-Term Assets			401,839
		Current Assets			
0		Assets Available For Sale - Investments		15,148	
25,105		Investments	15	10,060	
343		Inventories	16	339	
7,137		Short-Term Debtors	17	7,222	
(2,219)		Bad Debt Provision	17	(2,128)	
16,614		Cash and Cash Equivalents	18	19,476	
	46,980	Total Current Assets			50,117
	408,274	Total Assets			451,956
		Current Liabilities			
(252)		Short-Term Borrowing	19	(252)	
(14,910)		Short-Term Creditors	20	(17,839)	
(13)		Developers' Contributions - Receipts in Advanc	21	(9)	
	(15,175)	Total Current Liabilities			(18,100)
		Long-Term Liabilities			
(144,510)		Long-Term Borrowing	22	(144,310)	
(3,329)		Provisions	23	(4,921)	
(335)		Capital Grants - Receipts in Advance	24	(241)	
(1,883)		Developers' Contributions - Receipts in Advanc	25	(1,944)	
(69,473)		Net Pensions Liability	42	(80,763)	
	(219,530)	Total Long-Term Liabilities			(232,179)
	173,569	Net Assets			201,677
		Usable Reserves			
2,036		General Fund Balance		2,036	
11,353		Earmarked Reserves	8	14,936	
1,219		Housing Revenue Account Balance		1,014	
8,795		Capital Programme Reserve	9	9,957	
5,079		Capital Receipts Reserve	26	6,032	
2,786	31,268	Developers' Contributions Unapplied	27	2,845	36,820
		Unusable Reserves			
21,069		Revaluation Reserve	28	21,098	
190,208		Capital Adjustment Account	29	224,256	
0		Available For Sale Financial Instruments Reser	xx	40	
493		Deferred Capital Receipts Reserve	31	499	
(69,473)		Pensions Reserve	32	(80,763)	
276		Collection Fund Adjustment Account	33	13	
(272)	142,301	Accumulated Absences Account	34	(286)	164,857
	173,569	Total Reserves			201,677

**HOUSING REVENUE ACCOUNT
INCOME AND EXPENDITURE ACCOUNT**

2013/14		Notes	2014/15
£000			£000
	Income		
(24,941)	Dwelling rents		(25,842)
(720)	Non-dwelling rents		(718)
(727)	Charges for services and facilities		(721)
(293)	Contributions towards expenditure		(401)
(26,681)			(27,682)
	Expenditure		
4,240	Repairs and maintenance	3	4,227
4,761	Supervision and management		4,824
14	Rents, rates, taxes and other charges		7
(3,764)	Depreciation and impairments of non-current assets	4	(22,831)
34	Debt Management Costs		20
80	Movement in the allowance for bad debts		78
143	Sums directed by Secretary of State - transfers to General Fund	5	(0)
5,508			(13,675)
(21,173)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(41,357)
74	HRA services' share of Corporate and Democratic Core		74
(21,099)	Net Expenditure for HRA Services		(41,283)
	HRA share of the Operating Income and Expenditure included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services		
(1,117)	(Gain) / Loss on sale of HRA non-current assets		(1,307)
4,467	Interest payable and similar charges		4,467
(21)	Interest and investment income		(51)
610	Net interest on the net defined benefit liability (asset)	6	485
(13)	Income and expenditure in relation to investment properties and changes in their fair value		(13)
(575)	Capital Grants and Contributions Receivable		(389)
(17,748)	(Surplus) or Deficit for the year on HRA services		(38,091)

COLLECTION FUND – COUNCIL TAX

2013/14		COUNCIL TAX	2014/15	
£000	£000		£000	£000
	(101,374)	Income		
		Income from Council Tax		(102,829)
		Transfers from General Fund:		
	0	Flood Relief	(37)	
	0	Family Annex Relief	(29)	
	1	Transitional Relief	1	(65)
	(101,373)	Total Income		(102,894)
		Expenditure		
		Precepts:		
70,267		Hampshire County Council	71,179	
10,240		Police and Crime Commissioner for Hampshire	10,579	
4,156		Hampshire Fire And Rescue Authority	4,210	
14,978		New Forest District Council (including town and parish council requirements)	15,380	101,348
	99,641			
		Bad and Doubtful Debts		
151		Write-offs	125	
8	159	Increase / (decrease) in provisions	130	255
		Contributions:		
	876	Previous year's estimated council tax surplus		1,866
	100,676	Total Expenditure		103,469
	(697)	Movement on fund balance		575
(1,142)		Surplus at 1 April		(1,839)
(697)		Movement on fund balance for year		575
	(1,839)	Surplus at 31 March		(1,264)

COLLECTION FUND – BUSINESS RATES

2013/14		BUSINESS RATES	2014/15	
£000	£000		£000	£000
		Income		
	(62,326)	Income collectable from Business Ratepayers		(64,930)
	(102)	Current System		(55)
		Old System		
	(1,158)	Transitional Protection Payments		(306)
	(63,586)	Total Income		(65,291)
		Expenditure		
102		Payments to National Pool (Old System)	(95)	
28,282		Payments to DCLG - Business Rates Retention	30,719	
22,625		New Forest District Council	24,576	
5,091		Hampshire County Council	5,529	
566		Hampshire Fire And Rescue Authority	614	
286		Costs of Collection	286	
0		NFDC - Renewable Energy Schemes	19	
	56,952			61,648
		Bad and Doubtful Debts		
270		Write-offs	379	
53		Increase / (decrease) in provisions	(142)	
7,149		Appeals Provision	3,853	
	7,472			4,090
	64,424	Total Expenditure		65,738
	838	Movement on fund balance		447
0		(Surplus) / Deficit at 1 April		503
838		Movement on fund balance for year		447
(335)		Government safety net contribution - New Forest District Council		0
	503	(Surplus) / Deficit at 31 March		950

CASH FLOW STATEMENT

2013/14			2014/15
£000		Notes	£000
(18,930)	Net (surplus) or deficit on the provision of services		(35,919)
(4,347)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	13,241
4,150	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	35	4,191
(19,127)	Net cash flows from Operating Activities		(18,487)
12,381	Investing Activities	36	16,838
(5,737)	Financing Activities	37	(1,213)
(12,483)	Net (increase) or decrease in cash and cash equivalents		(2,862)
(4,131)	Cash and cash equivalents at the beginning of the reporting period		(16,614)
(16,614)	Cash and cash equivalents at the end of the reporting period	18	(19,476)