

## PLYMOUTH CITY COUNCIL

**Subject:** Statement of Accounts 2012/13  
**Committee:** Audit Committee  
**Date:** 13 June 2013  
**Cabinet Member:** Councillor Lowry  
**CMT Member:** Adam Broome (Director for Corporate Services)  
**Author:** Claire Fisher (Group Accountant, Corporate Accountancy – Technical)  
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**Ref:** ACCT/CF  
**Key Decision:** No  
**Part:** I

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### **Purpose of the report:**

A report on the Council's revenue and capital outturn for the financial year was reported to Cabinet on the 21 May 2013. This report sets out the timetable and key issues in relation to the production of the statutory form of accounts – the 'Statement of Accounts', which the Council is required to produce for audit and publication, and reports on progress towards the requirement to prepare the pre-audited accounts by the 30 June.

The Accounts and Audit Regulations require that the accounts are available for public inspection for four weeks and this year the period of inspection commences on the 1 July. The audit is due to commence on the same day.

The report also details progress towards completion of the action plan agreed to implement the recommendations made by the auditor following the audit of the 2011/12 Statement of Accounts.

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### **Corporate Plan 2012-2015:**

The Council's expenditure forms the basis on which the Corporate Plan can be delivered.

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### **Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land**

The 2012/13 final accounts will have implications on the Medium Term Financial Plan. The level of Working Balance and reserves will affect the level of funding available in future years and variations in service expenditure will also need to be reviewed to assess the effects on future years.

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### **Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:**

N/A

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## Equality and Diversity

Has an Equality Impact Assessment been undertaken? No

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### Recommendations and Reasons for recommended action:

1. Audit Committee note the report and the proposed 'authorised for issue' date (21 June 2013) for the draft Statement of Accounts.
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### Alternative options considered and rejected:

None – It is a statutory requirement to produce and approve the Statement of Accounts.

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### Published work / information:

Outturn Report to Cabinet 21 May 2013

<http://www.plymouth.gov.uk/modgov?modgovlink=http%3A%2F%2Fwww.plymouth.gov.uk%2FmgIntenet%2FieListDocuments.aspx%3FCId%3D254%26amp%3BMID%3D5360>

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### Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7
The 2012/13 Code of Practice on Local Authority Accounting (the Code)	I								
Service Reporting Code of Practice for Local Authorities 2012/13 (SeRCOP)	I								
Draft (Pre-Audit) Statement of Accounts 2012/13	I								

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### Sign off:

Fin	DJN13 14.05	Leg	LT 17640 310513	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member – Malcolm Coe													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## Statement of Accounts 2012/13

### 1. Introduction

- 1.1 The financial outturn for both the Council's revenue and capital activities for 2012/13 was reported to Cabinet on the 21 May 2013. This report sets out the timetable and key issues in relation to the production of the statutory form of accounts – the 'Statement of Accounts', which the Council is required to produce for audit and publication.
- 1.2 The Accounts have to be produced in line with the relevant CIPFA Codes of Practice and with regard to relevant items of statute. Details of the changes in relation to the 2012/13 Codes and relevant legislation which need to be considered for the accounts are outlined in section 3.
- 1.3 The Accounts and Audit Regulations require that the draft Statement of Accounts is signed by the Council's Director for Corporate Services, as the Council's Section 151 Officer, by 30 June each year. Progress towards the production of the pre-audit accounts is outlined in section 2 of this report. The pre-audited accounts will be published on the Council's website by the end of June.
- 1.4 Formal audit of the accounts for 2012/13 commences on 1 July 2013 and this date also marks the start of the four week period in which the Council has to make the accounts available for public inspection. The audited Accounts will be presented to the next committee alongside the auditor's report. An analysis of the financial position and key messages within the accounts will be reported to committee in the accompanying report as it is not possible to do so at this stage whilst the draft accounts are still being finalised.
- 1.5 The Code requires that the Council sets and discloses an 'authorised for issue' date, which reflects a cut-off date in terms of the post balance sheet period within which events have to be considered in relation to their impact on the 2012/13 accounts. It is proposed that the relevant date for the draft Statement of Accounts be set as 21 June 2013.
- 1.6 Each year the Audit Committee receives the auditor's (ISA260) report on the accounts audit, which, where appropriate, will include an action plan containing issues for the Council to address for the following year's accounts. Progress against auditor recommendations resulting from the 2011/12 Statement of Accounts audit is detailed in Section 6.
- 1.7 The Annual Governance Statement (AGS) is being presented separately to this Audit Committee for approval. In 2011/12 the decision was taken that the AGS would no longer form part of the published Statement of Accounts document but would stand-alone to reflect that its scope is wider than just the financial transactions of the authority. However, it will be published alongside the Statement of Accounts on the Council's website as is required by the Code.

### 2. Key Dates for 2012/13 and progress to date

- 2.1 Although there has been no change to the statutory timetable relating to the production and publication of the final accounts, internal deadlines and targets have been set which reflect earlier timescales for both the reporting of departmental financial results against budgets and the production of the draft Statement of Accounts. For example, the Outturn Report to Cabinet on the 21 May represented a three week improvement against the previous year.

- 2.2 The financial challenges that the authority is facing make it imperative that both Officers and Members are provided with accurate and up-to-date financial information in a timely manner in order to facilitate informed decision-making. The timetable for monthly budget monitoring reporting has been shortened over the past year in order to allow finances to be controlled and achievement of budget delivery plans to be closely monitored. This will continue to be an issue moving forward and plans are in hand to further develop financial monitoring and reporting processes via the 2013/14 Finance Business Plan.
- 2.3 Similarly, as well as the issues outlined above, there are other drivers which give rise to the decision to reduce the overall timetable for the production of the draft Statement of Accounts document. Firstly, there is a need to continuously review and improve financial management processes; a shorter timescale will both challenge current working practices and promote efficiencies. In addition, timelier completion of year-end activities will free up resources for other work at an earlier stage of the year. Other advantages which arise include cost effectiveness, staff benefits (such as improved morale via a sense of achievement and opportunities to develop the technical expertise within the service) and an enhanced profile for the Finance Service.
- 2.4 However, there is a risk that a faster timescale will compromise the quality of the draft statements. The Finance team are working to minimise the likelihood of this having a detrimental impact on the accounts by ensuring that progress is closely managed, staff involved are appropriately trained and there is close liaison with the external auditor throughout the year.
- 2.5 The year-end timetable for both internal and external reporting (via the Statement of Accounts) of the 2012/13 financial results has been set as follows:-

Milestone	Key Date
Directorate Outturn position for Capital and Revenue Accounts finalised	15 April
Provisional Outturn report to CMT	23 April
Outturn Report to Cabinet	21 May
Draft Statement of Accounts prepared	07 June
Statutory deadline for Section 151 Officer to 'sign off' of draft Statement of Accounts	30 June
Final Accounts Audit Commences	01 July
Period of Public Inspection	01 July - 26 July
Auditor's ISA260 report received and audited Statement of Accounts approved by Audit Committee	19 September

- 2.6 As the agenda for this committee was published, the Finance team were finalising the draft Statement of Accounts for review by Senior Management. It is anticipated that the majority of the work on the accounts will be completed by the 7 June deadline, but Officers will provide a verbal update on progress at the meeting. The achievement of this deadline will partly be reliant on receiving finalised accounts in relation to the Tamar Bridge and Torpoint Ferry Joint Committee from Cornwall Council.

2.7 The Finance team will continue to strive to further improve the above timescales, with the ultimate aim of delivering the draft Statement of Accounts by the end of May. This is reflected by a project within the Finance Business Plan which will involve further work on challenging current working practices and timelines, refining quality assurance techniques and widening both project management and technical expertise throughout the service.

#### 2.8 Authorised for Issue date

The Code requires that events occurring after the balance sheet date, i.e. 31 March 2013, are considered in terms of their relevance to the Council's financial position for 2012/13. There is an obligation to ensure that any such events are properly reflected in the Statement of Accounts up to the date that the statement is 'authorised for issue'. The authorised for issue date marks the point beyond which there can be no reasonable expectation that events could have been taken into consideration in the preparation of the Statement of Accounts. The Council has to disclose this date within the accounts and it is proposed that post balance sheet events up to and including the 21 June 2013 be considered for the draft accounts submitted for audit.

### 3. **The 2012/13 Codes of Practice and relevant legislation**

3.1 There are two main Codes of Practice relevant to the production of the Statement of Accounts which CIPFA publish on an annual basis:-

- The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code)
- The Service Reporting Code of Practice for Local Authorities (SeRCOP)

3.2 There were no significant changes to the Codes for 2012/13, which is a departure from the previous three years where significant changes such as the introduction of IFRS were implemented. Further details on the minor changes to the Codes will be included in the report to committee in September, when the accounts are formally presented for approval, where their impact will be more easily demonstrated.

3.3 In terms of new legislation relevant to the production of the 2012/13 accounts, again, there have been no Acts or Regulations issued that have a significant impact. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013 provide new and extended provisions in relation to the funding of, and accounting for, Equal Pay Awards. It is not anticipated, at the current time, that the Council will need to utilise these provisions and the 2012/13 accounts will reflect this position.

### 4. **Other issues affecting the Accounts for 2012/13**

#### 4.1 Judgement re the requirement to produce Group Accounts

4.1.1 2011/12 represented the first year for over 10 years that the Council has not produced Group Accounts within its Statement of Accounts. This was due to the reclassification of the Tamar Bridge and Torpoint Ferry Joint Committee (TBTFJC), whereby the Council's share of the committee's accounts are now consolidated into the single entity accounts. The judgement was made that, without the TBTFJC accounts, the total balance sheet value of the remaining related group entities falls below the level that would make the inclusion of Group Accounts a valuable addition to the financial statements.

4.1.2 The assessment of the related group entities has now been updated to reflect the position for 2012/13. This shows that the materiality effect of the other entities either individually or

collectively on the asset / liability balances stands considerably below 5% of the single entity accounts. It is therefore Officers' opinion that there is still no requirement to produce Group Accounts.

## **5. Post Balance Sheet Events (PBSE)**

5.1 Although the Statement of Accounts shows the financial outturn position for 2012/13 and Balance Sheet position as at 31 March 2013, the Council is required to take into account items occurring after 31 March 2013 if they would have a material impact on the accounts.

5.2 PBSEs identified to date, which will be included in the draft Statement of Accounts are as follows:-

### **5.2.1 Business Rate Retention Scheme - Appeals outstanding at 31 March 2013**

The Business Rates Retention Scheme came into effect on 1 April 2013. It represents a fundamental change to local government's core funding and will mean that a proportion of the locally generated business rates will be kept by the Authority rather than all being paid across to the Government's central pool for redistribution nationally as happens with the current system.

5.2.2 A significant impact of the new scheme is that the Council will take on the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid over to Central Government in respect of 2012/13 and prior years.

5.2.3 As the Authority will only be liable for appeal refunds from 1 April 2013, then the first provision to be made within the Authority's accounts will occur in 2013/14, despite the fact that these amounts relate to income received in 2012/13 and earlier years. Therefore this liability is reported within the 2012/13 accounts as a non-adjusting post balance sheet event as the Authority is not required to account for this liability within its 2012/13 accounts.

### **5.2.4 Public Health Transfer**

From 1 April 2013, the authority will assume responsibility for Public Health activities within the city as part of the Government's reform of the National Health Service. This will entail securing services to prevent disease, prolong life and promote health. The Authority will be provided with a ring-fenced public health grant by the Government to discharge the new public health responsibilities being transferred to them from the city's Primary Care Trust. The financial impact of this transfer is to increase the Council's gross expenditure and income for 2013/14 by £11.160m.

5.3 As the draft accounts were still being finalised at the time of publishing this report, the above list may not reflect the final PBSE position when the accounts are published towards the end of June.

## **6. Progress against the 2011/12 ISA260 Report Action Plan**

6.1 The External Auditor's annual Governance Report (ISA260 Report), includes the findings on the annual accounts audit and an action plan to address key audit issues. Appendix A sets out the auditor's recommendations following the 2011/12 accounts audit and reports on the progress made to date regarding the related action plan.

6.2 Two of the issues on the action plan remain unresolved as follows:-

6.2.1 Impairment of Icelandic Banks investments

This relates to the Council's decision to diverge from CIPFA's guidance regarding the accounting treatment of the Icelandic Bank investments. The Council has maintained a consistent approach over the last few years of being prudent, and only reducing the impairment as repayments are actually received. This methodology will again be applied to the 2012/13 draft Statement of Accounts and, therefore, is likely to be raised again by the auditor and feature in this year's ISA260 report.

6.2.2 Governance Arrangements for the Tamar Bridge and Torpoint Ferry Joint Operation

The auditor recommended that both Cornwall Council and Plymouth City Council draft a memorandum of understanding that formalises the respective roles and responsibilities in relation to assets, liabilities, income and expenditure and that this document should be formally adopted by Cabinet members at both Councils. This issue is being progressed by Officers at both councils in liaison with the auditor, however, neither authority has yet to present proposals to their Cabinets.

6.3 Officers will continue to advance the above issues, where appropriate, and ensure the external auditor is updated on a regular basis re progress.

## 7. **Conclusions**

7.1 The 2012/13 financial results for the authority have been established and reported significantly earlier than when compared to previous years.

7.2 Work is in-hand to produce the draft Statement of Account well in advance of the statutory deadline and this also represents a year on year reduction in timescales taken to undertake this year-end work. The Finance team has committed to making further improvements going forward by including a project to review working practices and expertise in this area within the 2013/14 Finance Business Plan.

7.3 2012/13 represents a 'light' year in relation to changes in the accounting codes of practice and legislation relevant to account production. Further details on this and the relevant changes requiring consideration for 2013/14 will be included in the September Statement of Accounts report to committee.

7.4 The annual audit and period of public inspection regarding the accounts both commence on 1 July; the audited Statement of Accounts will be submitted to Audit Committee for approval in September.

7.5 Officers are working to ensure that the auditor action plan resulting from the 2011/12 final accounts audit is addressed where applicable.

## Progress against the 2011/12 ISA260 Auditor's Report Action Plan

## APPENDIX A

Rec No	Recommendation	Priority	Management Comments	Implementation date and responsibility	Progress to date
1	<p><b>Property Plant and Equipment</b></p> <p>We recommend that finance management review the accounting entries for the Property, Plant and Equipment balances within the main financial statements and disclosure notes prior to submission for audit in 2012/13.</p>	High	<p>Agreed.</p> <p>This year end has been particularly challenging with both the full implementation of the Tech Forge system (fixed asset database) being finalised together with changes to the Code of Practice relating to Heritage Assets; and the subsequent restatements linked to this. In addition further work has been undertaken in relation to ISA260 recommendations from 2010/11 relating to reconciliation of the Finance Module of Tech Forge and review of Community Assets. Both of these issues have meant corrections to Fixed Asset categorisation. Officers have worked closely with the external auditor to ensure that assurance can be placed on the integrity of the fixed asset database. Officers will be working with the software supplier to improve the robustness and accuracy of the reporting functions within the Tech Forge system, specifically in relation to asset category transfers. This was exceptionally time-consuming to analyse the data manually in the absence of bespoke reports. The latest upgrade of the software deals with some of the issues identified and will be installed shortly. The remaining issues will be progressed over the coming months.</p>	<p>June 2013 (for 2012/13 Draft Statement of Accounts)</p> <p>Group Accountant (Corporate Technical)</p>	<p>This issue has been progressed during 2012/13. There have been two upgrades of the software which have dealt with the majority of reporting problems identified. There are minor issues that are still to be resolved, although this will not have a detrimental impact on neither the timescale nor the accuracy of the figures required for the Statement of Accounts disclosure notes or accounting entries.</p>
2	<p><b>Council Tax write off</b></p> <p>The Council should write out the Council Tax debt in 2012/13 once it has been established how much further funds have been received in relation to the £4.7m</p>	High	<p>Agreed.</p> <p>Officers will continue work required in relation to writing out pre-2000 Council Tax debtors during the current financial year. As this debt is fully provided for there will be no net impact on the either the Collection Fund or the Council's overall financial position. The write off of these debts will be completed and managed within the framework of our current financial regulations, and the associated bad debt provision reduced as appropriate</p>	<p>31 March 2013</p> <p>Strategic Finance Manager</p>	<p>The Council has written out the historic Council Tax debt during 2012/13. As the debt had been fully provided for in previous years there was no net impact on the either the Collection Fund or the Council's overall financial position.</p>



## Progress against the 2011/12 ISA260 Auditor's Report Action Plan

## APPENDIX A

Rec No	Recommendation	Priority	Management Comments	Implementation date and responsibility	Progress to date
3	<p><b>Payroll Reconciliation to the General Ledger</b></p> <p>We recommend that the Council perform formal reconciliations between the payroll system and the general ledger on a monthly basis.</p>	High	<p>Agreed.</p> <p>The current Payroll system does not post 'control' entries into the General Ledger and this has been the case since it was implemented in 2006. Assurance on the integrity of the data is gained via monthly reconciliation of the interface between the Payroll system and the General Ledger but it is acknowledged that this could be further strengthened by direct reconciliation between the two systems.</p> <p>The authority is currently in the process of implementing a new Payroll system and, as part of this Officers, will ensure that mechanisms are in place to enable regular reconciliation of the Payroll system and the General Ledger. Initial discussions on this have already taken place with the Payroll System Implementation Project Team.</p>	<p>Per schedule for Payroll system Implementation, currently November 2012</p> <p>Strategic Finance Manager</p>	<p>A new reconciliation process was introduced during 2012/13 and monthly reconciliations between Payroll System reports and the General Ledger have been undertaken for the whole year. This work has been discussed and reviewed by both internal and external audit.</p> <p>This process will continue into 2013/14, but will apply to the new Payroll system, iTrent, which went live in April 2013. The Payroll System Implementation team are continuing work on various aspects of the new system and Corporate Accountants are working with the team to ensure that reconciliation processes can be streamlined wherever possible.</p>
4	<p><b>Impairment of Icelandic Banks investments</b></p> <p>We recommend that the Council consider compliance with LAAP guidance on the accounting for the impairment of Icelandic Banks investments</p>	Medium	<p>For 2011/12, the Council has used a prudent approach in calculating the impairment adjustment within the accounts due to the continued uncertainty over the level of future recovery. The LAAP guidance assumes collection rates of 86%, 100% and 100% for the recoveries for Heritable, Landsbanki and Glitnir respectively. There continues to be uncertainty, however, over whether these levels of recovery will be achieved and therefore impairments have been made in line with actual receipts rather than those anticipated. Officers will continue to monitor the recovery during 2012/13 and make appropriate judgements in terms of the accounting entries accordingly.</p>	<p>31 March 2013</p> <p>Director for Corporate Services</p>	<p>The Director for Corporate Services has reconsidered this issue as part of the year-end review of strategic financial issues. The decision is to remain with the approach that has been applied over the last few years of being prudent, and only reducing the impairment for repayments that have been received in 2012/13. This differs from the accounting treatment recommended by LAAP and therefore is likely to be raised again by the auditor and feature in this year's ISA260 report.</p>

## Progress against the 2011/12 ISA260 Auditor's Report Action Plan

## APPENDIX A

Rec No	Recommendation	Priority	Management Comments	Implementation date and responsibility	Progress to date
5	<p><b>Governance Arrangements for the Tamar Bridge and Torpoint Ferry Joint Operation</b></p> <p>Following the adoption of the accounts into the single entity statements in 2011/12, we recommend that both Cornwall County Council and Plymouth City Council draft a memorandum of understanding that formalises the respective roles and responsibilities in relation to assets, liabilities, income and expenditure. This document should be formally adopted by Cabinet members at both Councils.</p>	High	<p>Agreed. Officers from the Council will progress this with the respective Officers from Cornwall Council. A review of all TBTFJC governance arrangements between the two Councils is already in progress, and these issues will be addressed through this forum.</p>	<p>31 March 2013</p> <p>Head of Finance</p>	<p>Officers from Cornwall Council are leading on this piece of work which is currently still in progress. A meeting was recently held between the two councils and the external auditor where the key governance issues were discussed and proposals agreed. We now await the draft governance documents from the Cornwall Council.</p>
6	<p><b>East End Office space – revaluation</b></p> <p>The Council will need to ensure that the East End office space is revalued in 2012/13.</p>	Medium	<p>Agreed - this has already been included as part of the 2012/13 revaluation programme.</p>	<p>March 2013</p> <p>Strategic Finance Manager</p>	<p>Asset was examined during 2012/13 as part of the rolling programme for revaluation of assets. It was determined that the office space was not a PCC asset and therefore it has now been removed from the asset register.</p>