

PLYMOUTH CITY COUNCIL

Subject: Statement of Accounts 2012/13
Committee: Audit Committee
Date: 19 September 2013
Cabinet Member: Councillor Mark Lowry
CMT Member: Malcolm Coe (Assistant Director for Finance, Efficiencies, Technology & Assets)
Author: Claire Fisher (Group Accountant, Corporate Accountancy – Technical)
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Ref: ACCT/CF
Key Decision: No
Part: I

Purpose of the report:

The Council's draft Statutory Statement of Accounts was prepared and approved ready for audit by the Director for Corporate Services on 25 June 2013.

The Accounts have now been audited and are being presented to Audit Committee for approval. The Accounts and Audit Regulations require the accounts to be formally approved and published by 30 September.

Issues raised by the auditor are outlined in the report, including a summary of the changes made since the draft accounts were produced. The revised Statement of Accounts for 2012/13 is attached at Appendix A.

The Brilliant Co-operative Council Corporate Plan 2013/14 - 2016/17:

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

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.

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

N/A

Equality and Diversity

Has an Equality Impact Assessment been undertaken? No

I Recommendations and Reasons for recommended action:

1. Audit Committee note the amendments made to the Statement of Accounts for 2012/13 as agreed with the Auditor, and outlined in this report.
2. The Statement of Accounts for 2012/13 attached at Appendix A be approved.
3. The letter of representation attached at Appendix B is authorised and submitted to the Auditor.

Alternative options considered and rejected:

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

Published work / information:

[Outturn Report to Cabinet 21 May 2013](#)

[Statement of Accounts 2012/13 Report to 13 June 2013 Audit Committee](#)

[Draft \(Pre Audit\) Statement of Accounts 2012/13](#)

[Annual Governance Statement 2012/13](#)

Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7
Not applicable									

Sign off:

Fin	djn13 14.19	Leg	18425/ DVS	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 draft Statement of Accounts 2012/13 was approved by the Director for Corporate Services on 25 June 2013. The formal audit commenced on 1 July 2013 and has been ongoing until now. The External Auditor's Audit Findings Report (ISA 260 Report), including the outcome on the annual accounts audit and an action plan addressing key audit issues, is being presented to this meeting. The Accounts and Audit Regulations require the Statement of Accounts to be approved by the Council by 30 September 2013. For Plymouth, this responsibility has been delegated to the Audit Committee.
- 1.2 There have been no changes made to the main financial statements since the publication of the draft Statement of Accounts at the end of June 2013. However, the audit has resulted in a number of changes to the disclosure notes within the statements following discussions with the auditor and these are outlined in the report. The revised Statement of Accounts for 2012/13 is attached at Appendix A. Although further amendments are not anticipated, the auditor is currently undertaking a final quality review and it is still possible that minor amendments will be required before publication. Should there be any such changes these will be highlighted to the Audit Committee at the meeting.
- 1.3 The Council is also required to identify and report on any post balance sheet events that have occurred since 31 March 2013. The Statement of Accounts should therefore include all post balance sheet events up to and including the 19 September 2013.
- 1.4 As part of the final audit requirement, and prior to the issue of the audit certificate, the Council is required to complete and sign a formal letter of representation and submit this to the auditor. This letter may be signed by the Chief Financial Officer (currently the Assistant Director for Finance, Efficiencies, Technology & Assets) and the Chair of Audit Committee and is attached at Appendix B.
- 1.5 The Accounts have been produced in line with the relevant CIPFA Codes of Practice for 2012/13 and details of the main changes in the Codes are outlined in section 2 of this report. The auditor has outlined in the ISA 260 report being presented to this Committee that he is satisfied that the Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting 2012/13 (The Code).
- 1.6 Council Officers would like to express their thanks to the Audit staff for their help and assistance in finalising the Council's Statement of Accounts.

2. The 2012/13 Codes of Practice

- 2.1 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)
- 2.2 The Code of Practice on Local Authority Accounting (the Code) is based on approved standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Committee (IFRIC) except where these are inconsistent with specific statutory requirements.

2.3 The 2012/13 Codes did not introduce any significant new obligations in terms of producing Plymouth's accounts for 2012/13, however, the following new requirements have been incorporated into this year's statements:-

- The Code now encourages local authorities to prepare the Explanatory Foreword in line with Government guidance followed by other areas of the Public Sector. Although this is not yet a mandatory requirement for Local Government, this year's Foreword is presented in line with the guidelines.
- The new accounting requirements in relation to the introduction of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, whereby the costs are apportioned across the service areas in line with energy consumption, have been implemented.

3. Issues arising since publication of the 2012/13 draft Accounts

3.1 The following paragraphs outline the issues that have arisen since the publication of the 2012/13 draft Accounts in June that have been considered as being relevant to the statutory accounts.

3.2 Post Balance Sheet Events (PBSE)

3.2.1 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 effect on the figures (Note 5 on page 40 of the Statement of Accounts refers).

3.2.2 There is one additional significant event which has occurred since the draft Accounts were published in June which is required to be reported within Note 5. This relates to the Cabinet decision on 3 September 2013 which approved the selection of a preferred bidder for the redevelopment of the Civic Centre and surface level car park. The PBSE note has been updated to disclose this decision and therefore reflects all significant PBSEs as at 10 September 2013, being the date these accounts were authorised for release to Audit Committee. Officers will continue to monitor events prior to the Audit Committee meeting and will provide an updated position at this time should this be necessary so that the approved accounts reflect events up to the date of signing which will be required by the auditor.

3.2.3 In addition, the note relating to the Icelandic Bank investments reported within the Explanatory Foreword (on page 9) has also been updated to reflect further payments received since the draft Accounts were published. As the figure (£528k) is not material in terms of the overall accounts, there was no requirement to disclose this formally as a PBSE.

3.3 Agreed Audit Amendments

3.3.1 The auditor's report outlines a number of changes that they are recommending be made to the draft 2012/13 Statement of Accounts published in June. These have been discussed and agreed with Officers, and are reflected in the final statements being presented for approval.

3.3.2 There have been no changes to the four main financial statements from those presented in the draft Accounts in June.

3.3.3 In terms of amendments to Disclosure Notes, there were a few issues which came to light during the audit which have now been adjusted in the statements, the main ones being as follows:-

- Note 5 Events after the Balance Sheet Date – now reflect events up to 10 September 2013 (to be updated to 19 September at the committee meeting)
- Note 12.1 Property, Plant and Equipment – corrections to the analysis of Movement in the year for 2012/13
- Note 18 Provisions – a disclosure regarding on-going liabilities in relation to the closed landfill site at Chelson Meadow (see paragraph 3.4.2 below)
- Note 26 External Audit Costs – amendment to the analysis of the fees paid in the year
- Note 30 Private Finance Initiatives and Similar Contracts – additional section regarding the South West Devon Waste Partnership
- Note 32 Contingent Assets and Liabilities – the disclosure regarding the Civic Centre has been amended in light of the recent Cabinet decision regarding its development.

Further details on the above amendments are reported in the External Auditor's report also on this agenda.

3.3.4 In addition, there have been a small number of grammatical and punctuation corrections to the document identified by both Officers and the Auditor, including the insertion of additional wording in Notes 22 (Agency Services), 23 (Pooled Budgets) and 29 (Leases) to provide explanation regarding prior year restatements.

3.4 Audit issues not amended

3.4.1 The Auditor has again advised that the Council should follow the LAAP guidance in respect of the treatment of Icelandic Bank investments and associated outstanding liabilities. 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.

3.4.2 The auditor also recommended that the Council make provision within its accounts with regards to the Council's on-going liability in relation to the closed landfill site at Chelson Meadow. This provision is unusual in that it is not required to be financed in the year it is created, but instead, the impact to the Council's Income and Expenditure account will be spread over the period of the Council's obligation to maintain the site (and will equate to the annual revenue costs already within the Council's budget for the site). Final guidance in relation to the requirement for this provision and associated accounting treatment / entries was not available at the time the draft accounts were published in June, and so no provision was made at this time. Officers had, however, been aware for some time that the publication of the guidance was imminent and had therefore anticipated that this would be a consideration for 2013/14.

3.4.3 Since the guidance was reviewed in mid-July, work has progressed to identify the likely level of the provision required and this is estimated to be circa £6m. At this stage, after considering the likely value and nature of the provision in terms of the impact on the financial statements it is proposed that the necessary accounting adjustments be implemented during 2013/14, rather than within the 2012/13 accounts. It is Officers' opinion that the omission of this provision for the 2012/13 accounts will not have a detrimental impact on the reader's understanding or interpretation of the Council's financial position. For transparency, a disclosure note has been added to the Provisions Note (18) on page 61, which states that the provision will be added to the 2013/14 Statement of Accounts.

4. **Looking to the year ahead - Issues for the 2013/14 Statement of Accounts**

4.1 It is true to say that 2012/13 was a light year for the Council in terms of the extent of changes to the Codes of Practice which had to be considered for the Accounts. 2013/14, however, is

set to be a challenging year with several significant new or amended Code requirements, including:-

- Revised obligations in relation to accounting for Pensions (as outlined in Note 2 of the 2012/13 Accounts)
- The introduction of the Business Rates Retention Scheme and, the requirement for Plymouth, as the lead authority, to produce year-end accounts on behalf of the Devon Business Rate Pool
- Incorporation of the Public Health Service into the Council's accounts

4.2 As well as changes to the Codes of Practice, Officers will also be considering other documentation published by CIPFA which will have an impact on either 2013/14 or future years' accounts. Current developments include consultation documents and / or new publications on the following topics:-

- Transport Infrastructure Assets
- Local Authority Capital Accounting: A Reference Manual for Practitioners
- Financial Statements: A Good Practice Guide for Local Authorities
- Accounting for Schools
- Group Accounts / Shared Services

4.3 There are also issues specific to the authority that will require consideration including:-

- Addressing the issues highlighted in the Auditor's ISA 260 report, including accounting and reporting for the South West Devon Waste Partnership
- The impact of the proposed Senior Management Team restructure

4.4 Officers will continue to keep abreast of both internal and external developments relevant to the statutory accounts to ensure any new or amended requirements are successfully brought into the 2013/14 Accounts. Officers will ensure that engagement with the external auditor is undertaken at an early stage, in order that any changes required can be reviewed ahead of the preparation of next year's accounts.