

Stone Town Council - General Purposes Committee

14 May 2013

Council Accounts 2012-13 and Audit Submission

Report of Town Clerk

Introduction

1. This report sets out the Council's accounts for 2012-13. It compares the final outturn figures with the original budget for the year and the forecast produced as part of the budget process.
2. The proposed submission to the Council's external auditors is also attached for approval.

Background

3. The Council's financial year runs from 1 April to 31 March. It is required to keep its accounts for that period in accordance with legal requirements, to report them for approval by the Council within three months of the year end, and to submit an annual return to its external auditors to a similar timescale.
4. The Council is also required to employ the services of an internal auditor, who will examine the accounts, review the Council's internal control, and produce a report identifying any areas of concern to Members. This internal audit has been performed, as in previous years, by Geoff Wright, who will be reporting independently to the Council, as required.
5. Subject to certain limited requirements, councils which turn-over less than £6.5 million per annum are not expected to comply with the accounting standards required of larger local authorities and are largely free to determine their own form of accounts.
6. As part of the closure of accounts for 2012-13, however, steps have been made to move the Council's accounts more in line with the national professional standards – a transition which should be completed in the current financial year. As a result, 2012-13 is something of a changeover year, and some figures may not be directly comparable with previous years. In particular, much of the Council's budget was produced on a "cash" basis, in line with previous years, which has resulted in a number of variations between the budget and the actual outturn occurring as a result of "accounting adjustments", as will be seen below.
7. The first budget monitoring report of 2013-14, which I would anticipate being considered at the June meeting of this Committee, will contain a full recasting of the budget on this revised accounting basis.

Accounts 2012-13

8. The Council's net revenue spending for 2012-13 was £195,550. This can be seen in detail in the Income and Expenditure Account set out at Appendix 1. The resulting effect on the Council's balance sheet can be seen at Appendix 2.
9. This net spending of £195,550 compares with £246,171 in the previous year, an original budget of £255,150 and a forecast made at the time the budget was prepared of £221,070. This is set out in more detail in Appendix 3. Explanations of the major variations between the original budget and the forecast were included in a series of budget reports to this Committee and its Sub-Committees. Details of the major variations from this latest forecast are set out later in the report.
10. In a number of cases identified below, spending was anticipated and provided for in 2012-13, but that expenditure has been delayed until the current year. In such cases I have recommended that the budgets be rolled forward to the new year to meet the costs when they are incurred. Members will note in the attached accounts that a figure of £17,820 has been contributed to a new "Rollover Reserve" to allow this transfer between years to happen. The details of the proposed use of this reserve are set out in the explanation of variances below.

Explanation of Variances

11. **Frank Jordan Centre (net £29 overspent)** – Income at the Centre was £6,636 below budget. The largest part of this is due to a failure to recover an outstanding amount of £5,000 in respect of architects' fees for the Den. This will be the subject of a future report. The balance is largely due to an accounting adjustment of £1,305 in respect of lettings paid for in 2012-13, but which took place in 2011-12.
12. Expenditure at the Frank Jordan Centre was £6,607 less than budgeted. This is almost entirely due to the works which are required as part of the lease, and for which £6,000 was budgeted, not being completed within the year. This £6,000 budget has been rolled forward to meet the cost of the works in 2013-14 via a contribution to the rollover reserve. Additionally, the forecast estimated the level of refunds due from energy companies where the Council had been charged in advance for gas and electricity. Without full details, some netting-off took place in the calculations at that time. These details are now available, and it has resulted in higher energy costs being charged to the centre, balanced by an increased refund credited to "Miscellaneous Income" (see below).
13. **Stone Station (net £2,529 overspent)** – Income was £3,043 below budget. This was due to an overestimate of potential future lettings income in the budget and an accounting adjustment of £834 for cash received in 2012-13 for lettings in other financial years. Expenditure was £514 below budget, but this small figure hides an underspending of £4,000 due to the cabinets not being completed during 2012-13 and an overspending due to the removal of the netting off of energy refunds against bills. The removal of this netting off is

balanced by a larger refund being credited to “Miscellaneous Income”, in the same way as for the Frank Jordan Centre. The budget for the cabinets has been rolled forward to meet the costs in 2013-14 via the rollover reserve.

14. **Bus Shelters and Street Furniture (£2,003 underspent)** – This underspending was due to refurbishments to bus shelters planned for 2012-13 not taking place within that year. The budget of £2,320 provided for these works has been rolled forward to meet the costs in 2013-14 via the rollover reserve.
15. **Salaries and Employment Costs (£6,213 underspent)** – This underspending is almost entirely due to an accounting adjustment of £5,805 in respect of work done by Ian Curran in 2011-12 which was not paid for until 2012-13.
16. **Administration (£5,337 underspent)** – The provision for new IT equipment, networking and website development was only partly expended in 2012-13, with £5,500 of the original £9,500 not yet spent. This £5,500 has been rolled forward to meet these costs in 2013-14 via the Rollover reserve.
17. **Town Council Elections (£5,350 underspent)** – This underspending relates to an accounting adjustment for the cost of elections which occurred in 2011-12, but which are paid for in four annual instalments.
18. **Miscellaneous (net £7,655 underspent)** – A significant part of this “underspending” relates to refunds from British Gas for energy costs paid in advance. Following a request to British Gas they agreed to refund to the Council a sum of £16,825. All except £1,667 of this rebate has now been received, with the outstanding sum being included in the 2012-13 accounts as a debtor.
19. The forecast only included £10,967 for this refund, resulting in £5,858 of the underspending. This additional sum, however, was not an additional refund but a resulted from a grossing up of figures previously netted off against payments due within the accounts of the Frank Jordan Centre and the Stone Station. This “underspending” is therefore balanced by overspendings at these two establishments, as referred to above.
20. In addition, an adjustment was made to correct the VAT balance to the true figure due to an error in the balance brought forward from 2011-12. The adjustment of £2,129 was made against the Miscellaneous Income account.
21. **Summary of Variances** – Overall the variance of between the forecast net spending for 2012-13 and the actual for the year can be summarised as follows:

	£	£
Variance:		
Actual Net Expenditure 2012-13	195,550	
Forecast Net Expenditure 2012-13	221,070	
Net Underspensing		25,520
Reasons for Variance:		
Den Architects Fees	-5,000	
Reduced Income at Stone Station	-2,209	
Budgeted Items Not Spent, Rolled Forward to 2013-14	17,820	
Accounting Adjustment re Ian Curran Payment	5,805	
Accounting Adjustment re Town Council Election	5,350	
VAT Balance Adjustment	2,129	
Other Variations (net)	1,625	
Variances		25,520

Audit Submission

22. The completed annual return for the Council's external auditors is attached at Appendix 4. The internal auditor is planning to visit the Council on 7 May 2013 to complete his audit work. As the date of the audit visit is after the required dispatch date for this report, that part of the form has not been included. It will be attached to the internal auditor's independent report to this meeting.
23. The Committee are asked to approve the return for submission.

Recommendations

24. The Committee are recommended to:
- Approve the Council's Accounts for 2012-13 as set out in this document, including the creation of a rollover reserve to allow the transfer of budgets between financial years and its proposed use in 2012-13.
 - Note the variances between the forecast outturn for 2012-13 and the actual outturn, and the reasons identified for the major variances.
 - Approve the annual audit return for submission to the Council's external auditors.

Stone Town Council

Income and Expenditure Account 2012-13

2011-12			2012-13	
£	£		£	£
		Income		
13,296		Frank Jordan Centre	7,544	
11,477		Stone Station	10,158	
35,696		Town Market	33,116	
2,303		Allotments	1,880	
5,439		Tourism & Town Promotion	1,152	
944		Civic Dinner & Hospitality	1,595	
4,456		Miscellaneous	19,898	
160		Interest	205	
	73,772	Total Income		75,548
		Expenditure		
24,960		Frank Jordan Centre	24,173	
22,517		Stone Station	18,567	
20,906		Town Market	19,806	
5,697		Car Parking	4,779	
1,941		Bus Shelters & Street Furniture	317	
447		Street Lighting	423	
392		Dog & Litter Bins	653	
4,513		Joules Clock	179	
280		Town Electricity Supply	9,528	
11,190		Grounds Maintenance	9,602	
-		Crown Meadow Improvements	4,117	
950		Allotments	938	
-		Environmental Projects	538	
16,549		Christmas Lights	15,368	
5,744		Tourism & Town Promotion	9,892	
7,171		Grants to Outside Bodies	8,387	
132,253		Salaries & Employment Costs	104,788	
3,780		Accommodation	3,913	
10,072		Insurances	9,630	
10,254		Administration	15,463	
2,330		Audit & Legal Fees	865	
25,872		Town Council Elections	250	
3,100		Allowances - Mayor & Deputy Mayor	2,550	
3,601		Regalia & Presentations	-	
3,072		Civic Dinner & Hospitality	2,426	
1,470		Remembrance Sunday & War Memorials	3,365	
881		Miscellaneous	583	
	319,943	Total Expenditure		271,098
	246,171	Total Net Expenditure		195,550
		Financing		
259,323		Precept	234,189	
14,327		Concurrent Functions Allowance	11,461	
-		Transfer from (to) Earmarked Reserves	-17,820	
	273,650	Total Financing		227,830
	27,479	Net Surplus for Year		32,280

Stone Town Council

Balance Sheet as at 31 March 2013

2011-12			2012-13	
£	£		£	£
Current Assets				
8,408		Debtors	2,344	
1,589		Payments in Advance	2,548	
3,157		VAT Recoverable	1,486	
200,009		Cash at Bank	248,478	
	213,163	Total Current Assets		254,856
Current Liabilities				
26,308		Creditors	15,705	
-		Receipts in Advance	2,196	
	26,308	Total Current Liabilities		17,901
	186,855	Total Net Assets		236,955
Represented by				
186,855		General Fund Balances	219,135	
-		Rollover Reserve	17,820	
	186,855	Total Reserves and Balances		236,955

Stone Town Council

Comparison of Actual 2012-13 with Budget and Forecast

Actual 2011-12 £		Actual 2012-13 £	Actual Compared With Original Budget		Actual Compared With Forecast Outturn		Report Paragraph
			Budget 2012-13 £	Variance 2012-13 £	Forecast 2012-13 £	Variance 2012-13 £	
11,665	Frank Jordan Centre	16,629	12,000	+4,629	16,600	+29	11&12
11,040	Stone Station	8,409	7,700	+709	5,880	+2,529	13
-14,791	Town Market	-13,310	-8,000	-5,310	-14,200	+890	
5,697	Car Parking	4,779	7,000	-2,221	5,400	-621	
1,941	Bus Shelters & Street Furniture	317	3,200	-2,883	2,320	-2,003	14
447	Street Lighting	423	500	-78	430	-8	
392	Dog & Litter Bins	653	1,500	-847	660	-7	
4,513	Joules Clock	179	-	+179	200	-22	
280	Town Electricity Supply	9,528	1,000	+8,528	9,800	-272	
11,190	Grounds Maintenance	9,602	10,000	-398	10,000	-398	
-	Crown Meadow Improvements	4,117	2,000	+2,117	4,400	-283	
-1,353	Allotments	-942	-1,300	+358	-1,050	+108	
-	Environmental Projects	538	1,500	-962	300	+238	
16,549	Christmas Lights	15,368	15,000	+368	15,900	-532	
-	Christmas Lights Infrastructure	-	1,000	-1,000	-	-	
305	Tourism & Town Promotion	8,740	15,000	-6,260	8,650	+90	
7,171	Grants to Outside Bodies	8,387	8,000	+387	8,700	-313	
132,253	Salaries & Employment Costs	104,788	120,000	-15,213	111,000	-6,213	15
3,780	Accommodation	3,913	5,000	-1,087	3,800	+113	
10,072	Insurances	9,630	10,000	-370	9,600	+30	
10,254	Administration	15,463	26,000	-10,537	20,800	-5,337	16
2,330	Audit & Legal Fees	865	1,500	-635	1,120	-255	
25,872	Town Council Elections	250	10,000	-9,750	5,600	-5,350	17
3,100	Allowances - Mayor & Deputy Mayor	2,550	2,550	-	2,550	-	
3,601	Regalia & Presentations	-	-	-	-	-	
2,128	Civic Dinner & Hospitality	831	2,000	-1,169	900	-69	
1,470	Remembrance Sunday & War Memorials	3,365	2,000	+1,365	3,440	-75	
-3,575	Miscellaneous	-19,315	-	-19,315	-11,660	-7,655	18-20
-160	Interest	-205	-	-205	-70	-135	
246,171		195,550	255,150	-59,600	221,070	-25,520	

Section 1 – Accounting statements 2012/13 for

Appendix 4

STONE TOWN COUNCIL

Readers should note that throughout this annual return references to a 'local council' or 'council' also relate to a parish meeting.

	Year ending		Notes and guidance
	31 March 2012 £	31 March 2013 £	
1 Balances brought forward	159,377	186,856	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.
2 (+) Annual precept	259,323	234,189	Total amount of precept received or receivable in the year.
3 (+) Total other receipts	88,099	87,009	Total income or receipts as recorded in the cashbook less the precept received (line 2). Include any grants received here.
4 (-) Staff costs	132,253	104,788	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5 (-) Loan interest/capital repayments	NIL	NIL	Total expenditure or payments of capital and interest made during the year on the council's borrowings (if any).
6 (-) All other payments	187,690	166,311	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7 (=) Balances carried forward	186,856	236,955	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)
8 Total cash and short term investments	200,009	248,478	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – to agree with bank reconciliation.
9 Total fixed assets plus other long term investments and assets	224,720	222,080	The original Asset and Investment Register value of all fixed assets, plus other long term assets owned by the council as at 31 March
10 Total borrowings	NIL	NIL	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
11 (If Applicable) Trust funds (including charitable) disclosure note	YES NO ✓	YES NO ✓	(if applicable) The council acts as sole trustee for and is responsible for managing trust funds or assets. (Readers should note that the figures in the accounting statements above do not include any trust transactions.)

I certify that for the year ended 31 March 2013 the accounting statements in this annual return present fairly the financial position of the council and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer

Date

I confirm that these accounting statements were approved by the council on this date:

and recorded as minute reference:

Signed by Chair of the meeting approving these accounting statements.

Date

Section 2 – Annual governance statement 2012/13

We acknowledge as the members of:

STONE TOWN COUNCIL

our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2013, that:

	Agreed –		'Yes' means that the council:
	Yes	No*	
1 We approved the accounting statements prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.	✓		prepared its accounting statements in the way prescribed by law.
2 We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3 We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the council to conduct its business or on its finances.	✓		has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.
4 We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	✓		during the year has given all persons interested the opportunity to inspect and ask questions about the council's accounts.
5 We carried out an assessment of the risks facing the council and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		considered the financial and other risks it faces and has dealt with them properly.
6 We maintained throughout the year an adequate and effective system of internal audit of the council accounting records and control systems.	✓		arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of the council.
7 We took appropriate action on all matters raised in reports from internal and external audit.	✓		responded to matters brought to its attention by internal and external audit.
8 We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the council and, where appropriate have included them in the accounting statements.	✓		disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.
9 Trust funds (including charitable) – in our capacity as the sole managing trustee we discharged our responsibility in relation to the accountability for the fund(s)/assets, including financial reporting and , if required, independent examination or audit.	YES	NO	NA
		✓	has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.

This annual governance statement is approved by the council and recorded as minute reference

dated

Signed by:

Chair

dated

Signed by:

Clerk

dated

***Note:** Please provide explanations to the external auditor on a **separate sheet** for each 'No' response. Describe how the council will address the weaknesses identified.