

# Summary Statement of Accounts 2013/14



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# Introduction

Each year the Council produces a Statement of Accounts. Much of the information in the document is of a technical nature satisfying both statutory requirements and local authority procedures. This makes it difficult to read and understand so the Council has produced these Summary Accounts to give you the highlights in a user-friendly format.

Ernst & Young have audited our accounts for the year 2013/14 and on 26th September 2014, their appointed auditor certified that the accounts are an accurate record of the Council's finances. In her [Annual Governance Report](#) the Audit Partner wrote:

- We assessed the Council's Medium Term Financial Plan and found that the Council is in a good position to deliver balanced budgets up until March 2017, without significant contributions from reserves.
- Our work focused on the Council's budget setting processes and ability to set balanced budgets within the current spending constraints, without detrimentally affecting service provision. We found that the Council operates well in this context and has the expertise to set realistic budgets whilst continuing to provide its statutory functions.

The Audit partner's opinion on the accounts and value for money conclusion said:

- In our opinion the financial statements give a true and fair view of the financial position of Test Valley Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended.
- We are satisfied that, in all significant respects, Test Valley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

All the figures in this summary are based on the Council's audited Statement of Accounts. If you would prefer to read the full statement, this is also available on our [website](#).

The Council monitors its budgets under two major headings; Capital and Revenue. Revenue spending relates to items consumed in the year and is mainly financed from Council Tax, government grants, rental income and fees & charges. Capital spending creates assets with a life of longer than one year and is financed from receipts from the sale of assets, government grants and other contributions.

All revenue expenditure for the year is shown on the 'How much did the Council spend in 2013/14?' page. Capital expenditure is shown separately on the 'Capital Spending' page.

William Fullbrook CPFA.  
**Head of Finance**

## How much did the Council spend in 2013/14?

The summary of the Council's day-to-day spending below shows the overall cost of each of the Council's services. These figures take into account both expenditure and income and where the money comes from.

Net Expenditure by service	Expenditure	Income	Net Spend	Compared with
	2013/14 £'000	2013/14 £'000	2013/14 £'000	2012/13 £'000
Community & Leisure	5,505	(1,707)	3,798	3,750
Environment	6,883	(2,085)	4,798	4,420
Estates & Economic Development	4,313	(2,845)	1,468	1,367
Housing & Environmental Health	4,206	(1,262)	2,944	3,944
Planning & building	2,984	(1,848)	1,136	1,325
Planning Policy & Transport	3,547	(3,452)	95	(40)
Revenues & Benefits	33,413	(32,365)	1,048	892
Support Services	9,850	(6,226)	3,624	3,687
<b>Net Cost of Services</b>	<b>70,701</b>	<b>(51,790)</b>	<b>18,911</b>	<b>19,345</b>
Investment Property Transactions	508	(5,802)	(5,294)	(5,191)
Interest and Borrowing	9	(557)	(548)	(619)
Depreciation and Capital Charges	(3,460)	0	(3,460)	(3,625)
Business Rates Levy	139	0	139	0
Net Transfer to Reserves	3,413	0	3,413	1,094
Financing of Capital Expenditure	408	0	408	1,006
Non Ring-fenced Grants	0	(2,511)	(2,511)	(947)
<b>Net Budget Requirement</b>	<b>71,718</b>	<b>(60,660)</b>	<b>11,058</b>	<b>11,063</b>
<b>Financed by</b>				
Central Government Grants		(3,127)	(3,127)	(5,042)
Retained Business Rates		(2,076)	(2,076)	0
Test Valley Council Tax		(5,573)	(5,573)	(5,701)
Andover Special Expenses Levy		(282)	(282)	(320)
<b>Financing of the Budget Requirement</b>		<b>(11,058)</b>	<b>(11,058)</b>	<b>(11,063)</b>

The above table shows that the Council had net income & expenditure of £11.058M, of which the Council Taxpayer contributed 53%.

# How was money earned and spent by the Council in 2013/14?

	2013/14	2012/13
	£'000	£'000
Employee Costs	16,217	15,784
Premises Costs	2,687	2,513
Transport Costs	1,557	1,301
Supplies & Services	6,568	6,098
Contract Costs	1,236	1,074
Transfer Payments	29,891	35,686
Internal Recharges	9,085	11,014
Capital Financing	3,460	3,625
<b>Total Expenditure</b>	<b>70,701</b>	<b>77,095</b>

	2013/14	2012/13
	£'000	£'000
Fees, charges and other income	12,204	10,936
Government grants / subsidies	30,501	35,800
Recharge Income	9,085	11,014
<b>Total Income</b>	<b>51,790</b>	<b>57,750</b>
<b>Net Cost of Services</b>	<b>18,911</b>	<b>19,345</b>

## Notes

Expenditure and income for services are grouped together under standard headings used by local authorities.

**Employee costs** - Including all costs related to the employment of staff. In addition to salary costs and employer's pension contributions, they also include temporary staff and recruitment.

**Premises costs** - These account for the direct costs of providing and maintaining buildings, plant & land and include utility costs and insurance.

**Transport costs** - Covering all costs associated with the provision, maintenance, hire or use of vehicles.

**Supplies and services** - Operating costs not included in the above categories are covered under this heading, including general office expenses, equipment and the cost of materials.

**Contract costs** - Payments made to external providers in respect of contractual obligations.

**Transfer payments** - These are payments for which the Council does not receive goods or services in return, such as benefit payments.

**Recharges** - Charges made for work carried out by one service in support of another or the provision of centrally managed facilities such as office accommodation or reception services.

**Capital financing** - This includes charges relating to the use of the Council's assets, including depreciation and capital expenditure that does not generate new assets (such as capital grants).

**Fees, charges and other income** - Income generated by the Council from day-to-day activities including; planning application fees, parking charges and licensing.

**Government grants/subsidies** - Income received from government departments for specific purposes (e.g. to cover the cost of benefit payments).

**Recharge income** - Including all income that is recharged from one service to another. This is the main source of income for support services such as IT and Finance.

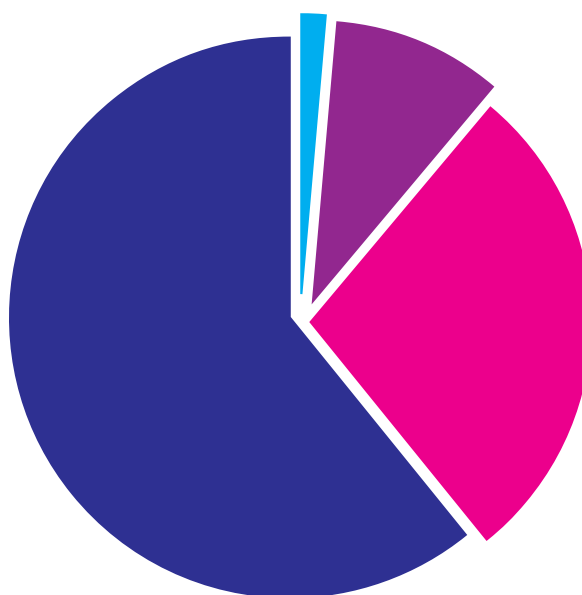
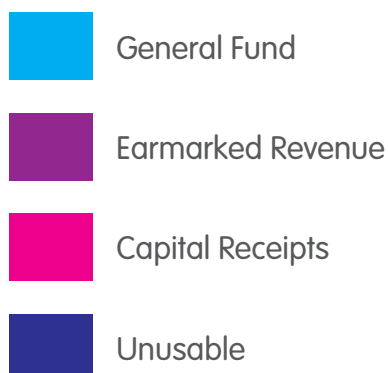
# How much is the Council worth?

The table below summarises the assets and liabilities of the Council at 31 March 2014.

It also shows how the net assets are shared between the different reserves.  
The Council's position is relatively healthy, with reserves at a satisfactory level.

<b>Assets &amp; Liabilities</b>	<b>2013/14</b>	<b>2012/13</b>
	£'000	£'000
Fixed Assets	140,384	130,988
Long Term Debtors	17	17
<b>Total Long Term Assets</b>	<b>140,401</b>	<b>131,005</b>
Investment Deposits	52,089	52,141
Cash, Stock and Debtors	6,531	5,912
<b>Total Current Assets</b>	<b>58,620</b>	<b>58,053</b>
<b>TOTAL ASSETS</b>	<b>199,021</b>	<b>189,058</b>
Current Liabilities	14,815	9,472
Long Term Liabilities	44,004	57,747
<b>TOTAL LIABILITIES</b>	<b>58,819</b>	<b>67,219</b>
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>140,202</b>	<b>121,839</b>
<b>Reserves</b>		
General Fund Reserve	2,000	2,000
Earmarked Revenue Reserves	13,039	11,649
Capital Receipts Reserve	28,319	34,349
Unusable Reserves	96,844	73,841
<b>Total Council Value</b>	<b>140,202</b>	<b>121,839</b>

## Reserves



The **General Fund Reserve** is a balance held to enable the Council to manage the costs of any unforeseen future event. The balance is the amount recommended by the Head of Finance.

**Earmarked Revenue Reserves** are held for specific purposes for costs which will be incurred in future years. At the year end the most significant of these reserves were:

- £3.802M for future maintenance of adopted open spaces
- £2.989M for maintenance of the Council's land, buildings and vehicle fleet
- £2.627M accumulated receipts from the government's New Homes' Bonus scheme

The **Capital Receipts Reserve** is the amount the Council has available to invest in future capital projects.

**Unusable Reserves** are prepared on a statutory basis and are not available to spend by the Council on any type of expenditure. The reserves mainly fall into two categories:

- Capital reserves reflect the purchase and change in value of assets whilst owned by the Council
- The net liability to the pension fund that will reduce over time as the pension deficit is recovered.

# Capital spending

The Council's capital budget finances the purchase of land and equipment that will provide economic benefits over a number of years. Major refurbishment costs and some grants are also included here.

The Council finances its capital expenditure from a mixture of usable capital receipts, capital grants and contributions. In 2013/14, 68% of capital funding came from usable capital receipts with the remainder coming from capital grants and contributions from revenue.

Capital spending in 2013/14 totalled £10.710M, and is summarised in the table below.

	2013/14
	£'000
Costs of managing the Council's existing assets	2,323
Purchase of Investment Properties	6,195
Property Improvement Grants	775
Leisure Projects	678
Refurbish Portway Stadium	357
Other projects	382
<b>Total Expenditure</b>	<b>10,710</b>



# Looking ahead

The next three years are expected to produce very tight Local Government Finance Settlements and will require significant efficiency savings to be made. Coping with the government's continuing drive to reduce public sector expenditure will form a key part of the Council's budget strategy.

The way that funding is received by councils in respect of business rates changed dramatically in 2013/14 and there is still some uncertainty as to how this will affect the Council in future years.

Our medium term financial strategy sets out how the Council will achieve a balanced budget over the medium term.

Achieving this outcome will enable the Council to retain a healthy level of reserves in the future. To do this, the Council must be flexible in dealing with external factors, such as interest rates, which affect the budget. The Council must also continue to deliver value for money services to the citizens of Test Valley.

The demand for capital investment exceeds the level of resources and the Council will continue to look for innovative ways to promote investment in the Borough, possibly through partnerships and by attracting funding from external sources.

The Council aims to learn from experience and improve wherever possible, so comments and suggestions are always welcome.

If you would like to give feedback to the Council please see the contact details on the back page.

# Glossary of terms

## Andover Special Expenses levy

The additional amount charged to properties in Andover for works undertaken by the Borough Council that would be carried out by a parish council elsewhere in the borough.

## Assets

Items of worth which are measurable in terms of value.

## Current assets

Assets which may change in value on a day to day basis (e.g. stocks), or which are expected to be fully recovered within one year (e.g. short-term deposits with banks).

## Capital Expenditure

Expenditure on the acquisition or improvement of tangible assets which yield benefits to the Council for more than one year.

## Capital Receipts

Monies received from the sale of fixed assets, which may be used to finance new capital expenditure.

## Debtors

Amounts owed for work or services rendered by the Council within the financial year and which have not been paid.

## Depreciation and Capital Charges

Depreciation is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset. Capital charges represent changes in the value of assets and capital expenditure that does not create a new asset (e.g. capital grants). Capital charges are not chargeable to Council Tax so must be reversed out of the Cost of Services to arrive at the Net Budget Requirement.

## Financial Year

The year covered by the accounts, commencing on 1st April each year.

## Financing of Capital Expenditure

The method of financing capital expenditure directly from the General Fund.

## Fixed Assets

Tangible assets which yield benefit to the Council for a period of more than one year. This includes operational land and buildings; investment properties and vehicles, plant & equipment.

## General Fund

This is the main revenue fund of the Council. It includes the net cost of all services and is funded by local taxpayers and government grants.

## Investment Deposits

The value of cash investments placed by the Council at the Balance Sheet date.

## Investment Property

Properties owned by the Council which are held solely for income generation purposes or for appreciation in sale value. They do not form part of the Cost of Services.

## Liabilities

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

## Medium Term Financial Plan

A forecast of future years' budgets, making assumptions about changes that will occur based on past experience.

## Net Transfers to Reserves

The amount transferred to or from the General Fund to earmarked, capital and unusable reserves in the year.

## Non Ring-Fenced Grants

Grants given by government that do not have restrictions on how they are spent.

## Revenue Expenditure

Expenditure incurred on the day to day running of the Council. This mainly includes employee costs, general running expenses and contract payments.

This information is available in alternative  
formats and languages on request.

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