

Summary Statement of Accounts 2012/13



Introduction

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

Ernst & Young audited our accounts for the 2012/13 financial year. On 30 September 2013, the company's Audit Partner certified that they are an accurate record of the Council's finances. In her [Annual Governance Report](#) the Audit Partner wrote:

- 'We concluded that the Authority has established a robust Medium Term Financial Plan which it updates regularly as the underlying assumptions change.'
- 'We concluded that the Authority continues to look for efficiencies and has demonstrated that it can find and achieve savings and more efficient ways of working without cutting primary services.'

The Audit partner's opinion on the accounts said:

- 'In my opinion the financial statements give a true and fair view of the financial position of Test Valley Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended.'

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 and 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 2012/13' page. Capital expenditure is shown separately on the 'Capital Spending' page.

Although I have tried to remove as much jargon as possible, some accounting terminology is necessary in order to maintain the integrity of the accounts. I have added a glossary of key terms at the end of the document.

William Fullbrook CPFA
Head of Finance

How much did the Council spend in 2012/13?

The Council's day-to-day spending is summarised below, showing the overall cost of each service. These figures take into account costs, income and where the money comes from.

| Net expenditure by service | Expenditure | Income | Net spend | Net spend compared with |
|-------------------------------------|---------------|-----------------|---------------|-------------------------|
| | 2012/13 | 2012/13 | 2012/13 | 2011/12 |
| | £'000 | £'000 | £'000 | £'000 |
| Community and Leisure | 5,132 | (1,382) | 3,750 | 3,920 |
| Environmental | 7,237 | (2,817) | 4,420 | 4,618 |
| Estates and Economic Development | 4,107 | (2,740) | 1,367 | 1,853 |
| Housing and Environmental Health | 5,276 | (1,332) | 3,944 | 2,747 |
| Planning and Building | 2,814 | (1,489) | 1,325 | 1,593 |
| Planning Policy and Transport | 3,298 | (3,338) | (40) | 393 |
| Revenues and Benefits | 38,648 | (37,756) | 892 | 730 |
| Support Services | 9,404 | (5,807) | 3,597 | 3,554 |
| Net cost of services | 75,916 | (56,661) | 19,255 | 19,408 |
| Investment property transactions | 462 | (5,653) | (5,191) | (5,531) |
| Interest income and borrowing costs | 15 | (634) | (619) | (755) |
| Depreciation and capital charges | 0 | (3,625) | (3,625) | (4,044) |
| Net transfer to reserves | 1,184 | 0 | 1,184 | 1,993 |
| Financing of capital expenditure | 1,006 | 0 | 1,006 | 1,219 |
| Non ring-fenced grants | 0 | (947) | (947) | (628) |
| Net budget requirement | 78,583 | 67,520 | 11,063 | 11,662 |

| Financed by | | | | |
|--|--|-----------------|-----------------|-----------------|
| Central Government Grants | | (5,042) | (5,042) | (5,681) |
| Test Valley Council Tax | | (5,701) | (5,701) | (5,664) |
| Andover Special Expenses Levy | | (320) | (320) | (317) |
| Financing of the budget requirement | | (11,063) | (11,063) | (11,662) |

This table shows that the Council had net expenditure of £11.063M, of which the local tax payer contributed 54%.

How much was spent running the Council in 2012/13?

These tables show the cost of services shown on page 2, analysed by the type of expenditure.

| | 2012/13 £'000 | 2011/12 £'000 |
|--------------------------|------------------|------------------|
| Employee costs | 15,694 | 15,413 |
| Premises costs | 1,424 | 1,767 |
| Transport costs | 1,301 | 1,505 |
| Supplies and services | 6,098 | 6,687 |
| Contract costs | 1,074 | 889 |
| Transfer payments | 35,686 | 31,963 |
| Internal recharges | 11,014 | 8,746 |
| Capital financing | 3,625 | 4,044 |
| Total expenditure | 75,916 | 71,014 |

| | 2012/13 £'000 | 2011/12 £'000 |
|--------------------------------|------------------|------------------|
| Fees, charges and other income | 9,847 | 8,962 |
| Government grants | 35,800 | 33,898 |
| Recharge income | 11,014 | 8,746 |
| Total income | 56,661 | 51,606 |

| | | |
|-----------------------------|---------------|---------------|
| Net cost of services | 19,255 | 19,408 |
|-----------------------------|---------------|---------------|

Notes

Expenditure and income 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 pension contributions, they also include temporary staff and recruitment.

Premises costs - These account for the direct costs of providing and maintaining buildings, plant and land and include utility costs, business rates 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 doesn't generate new assets (such as capital grants).

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

Government grants – income received by the Council from government departments in the form of a grant.

Recharge income - 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 2013.

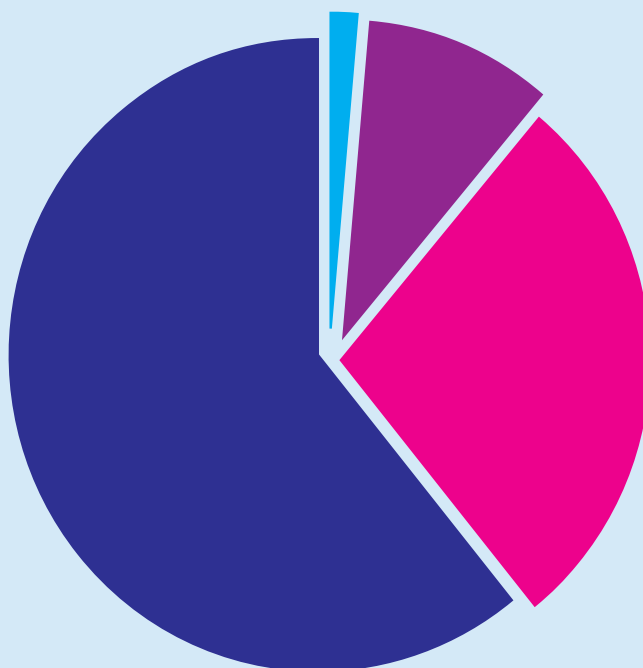
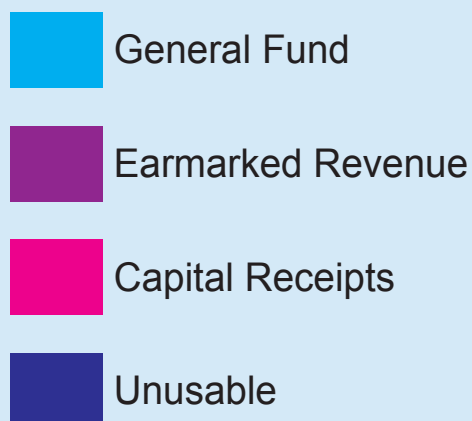
It also shows how the net assets are shared between the different reserves.

The Council's position is relatively healthy, with reserves at a satisfactory level.

| Assets & Liabilities | 2012/13 | 2011/12 |
|--------------------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| Fixed Assets | 130,988 | 136,666 |
| Investments / Long Term Debtors | 17 | 18 |
| Total Long Term Assets | 131,005 | 136,684 |
| Investment Deposits | 52,141 | 52,373 |
| Cash, Stock and Debtors | 5,912 | 6,173 |
| Total Current Assets | 58,053 | 58,546 |
| TOTAL ASSETS | 189,058 | 195,230 |
| Current Liabilities | (9,472) | (9,494) |
| Long Term Liabilities | (57,747) | (51,254) |
| TOTAL LIABILITIES | (67,219) | (60,748) |
| TOTAL ASSETS LESS LIABILITIES | 121,839 | 134,482 |

| Reserves | 2012/13 | 2011/12 |
|----------------------------|----------------|----------------|
| | £'000 | £'000 |
| General Fund Reserve | 2,000 | 2,000 |
| Earmarked Revenue Reserves | 11,649 | 10,673 |
| Capital Receipts Reserve | 34,349 | 35,848 |
| Unusable Reserves | 73,841 | 85,961 |
| Total Council Value | 121,839 | 134,482 |

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 that will be incurred in future years. At the year end the most significant of these reserves were:

- £3.550M for future maintenance of adopted open spaces
- £1.064M budget equalisation reserve held to reduce the impact of cuts in government grants and for specific future costs
- £1.424M for maintenance of the Council's land and buildings
- £1.111M for replacement of the Council's vehicle fleet
- £1.260M 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 the Council is not able to spend any of these funds. The reserves mainly fall into two categories:

- Capital reserves reflect the purchase and change in value of assets whilst owned by the Council and
- 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 2012/13 52% of capital funding came from usable capital receipts with the remainder coming from capital grants and contributions from revenue.

Capital spending in 2012/13 totalled £3.625M, as shown in the table below.

| | 2012/13 £'000 |
|---|------------------|
| Costs of managing the Council's existing assets | 597 |
| Social Housing Grants | 868 |
| Property Improvement Grants | 700 |
| IT projects | 469 |
| Property Purchases and Improvements to Property | 99 |
| Leisure Projects | 475 |
| Other Projects | 417 |
| Total Expenditure | 3,625 |

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 and radical changes to the way local government is financed will be extremely challenging and will require careful management of funding risks.

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.

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 (for example debtor balances), or which are expected to be fully recovered within one year (for example 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 value to assets and capital expenditure that does not create a new asset (for example 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 1 April each year and ending on 31 March.

Financing of capital expenditure – The method of financing capital expenditure directly from the general fund.

Fixed assets – 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 and equipment.

General fund – This is the Council's main revenue fund. 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 from the general fund to earmarked 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.**

For further information or give feedback to the Council please contact:

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