

AUDIT COMMITTEE	AGENDA ITEM NO. 5
29 JUNE 2015	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources Portfolio Holder, Cllr Seaton	
Committee Member(s) responsible:	Councillor Coles, Chair of Audit Committee	
Contact Officer(s):	John Harrison, Corporate Director Resources Steven Pilsworth, Service Director Financial Services	Tel. 452398 Tel. 384564

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

R E C O M M E N D A T I O N S	
FROM : Corporate Director Resources	Deadline date : 30 June 2015; statutory deadline for approving Accounts
1. For members to review and comment on the Statement of Accounts prior to the Chief Finance Officer's certification by the 30 June 2015.	

1. ORIGIN OF REPORT

This report forms part of the regular pattern of reporting on the Council's financial position.

2. PURPOSE AND REASON FOR REPORT

- 2.1. The Council must consider and approve its Accounts at a meeting of either the full Council or a Committee of the Council. This is a requirement of the Accounts & Audit Regulations 2011. The Council's Constitution delegates this matter to the Audit Committee.
- 2.2. This is in accordance with the Committees Terms of Reference – 2.2.1.18 to review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 2.3. The Accounts must be signed and certified by 30 June 2015 by the Council's Section 151 officer (Corporate Director Resources), in accordance with the Accounts and Audit Regulations 2011.
- 2.4. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly, the financial position of the Council at 31 March 2015.
- 2.5. The Audit Committee is required to approve the Accounts no later than 30 September 2015 following, and in the knowledge of, the audit findings.
- 2.6. Whilst under regulations the Council's Audit Committee is no longer required to approve the accounts prior to audit, the Council considers it is good practice for

Members to review and comment on the accounts prior to the Chief Financial Officer's (CFO) certification. The Finance team will continue to review the accounts after Committee agenda despatch, working towards the CFO certification and the start of the audit. If any substantial changes are needed to the Accounts, then an update will be provided to Committee at the meeting.

3. **TIMESCALE**

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	Not applicable
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4. **KEY POINTS**

- 4.1. The 2014/15 Code of Practice clarifies the accounting treatment for the recognition of schools' transactions and consolidation issues relating to schools. In previous years it had been recognised, that at a national level, there had been inconsistency between Councils on their respective accounting treatment of school transactions.
- 4.2. The Council has amended its accounting policies, after considering the clarification points raised, in relation to Foundation Schools such that property, plant and equipment of such schools are now included in the Council's balance sheet.
- 4.3. This clarification has also enabled the Council to review its treatment of 'private funds' held by schools against the accounting definition of 'control'. The review identified some funds where control does reside with the school, and therefore these funds have been consolidated into Council's accounts.
- 4.4. Further information on the above adjustments, and other minor presentational adjustments can be found in Note 45 of the Statement of Accounts.

Format of the Accounts

- 4.5. The Accounts for 2014/15 conform with CIPFA's (Chartered Institute of Public Finance & Accountancy) Service Reporting Code of Practice for Local Authority Accounts and the Code of Practice on Local Authority Accounting (the Code). The individual financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of the Council.
- 4.6. The key contents of the various sections are as follows:
 - *Explanatory Foreword* - provides an understandable guide to the most significant matters reported in the accounts;
 - *Statement of Responsibilities* – sets out the responsibilities of the Council and the chief financial officer in respect of the Statement of Accounts;
 - *Comprehensive Income and Expenditure Statement* – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation;
 - *Movement in Reserves Statement* – this statement shows the movement in the year on the different reserves held by the Council;
 - *Balance Sheet* – shows the value of the assets and liabilities recognised by the Council as at 31 March 2015;

- *Cash Flow Statement* – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2014/15;
- *Notes to the Financial Statements* - the various statements are supported by technical *Notes* and by the *Statement of Accounting Policies*;
- *The Collection Fund & Notes* – shows the transactions of the Council in relation to Council Tax and Non-Domestic Rates;
- *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council; and
- *Annual Governance Statement* – identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded. This statement is an item on this meeting agenda and therefore subject to change, consequently it will be included in the audited accounts, published by 30 September 2015, following its approval.

Comprehensive Income and Expenditure Statement

- 4.7. This statement shows the Council's activities and summarises the resources generated, consumed or set aside. It is presented in accordance with the Service Reporting Code of Practice (SeRCOP) to enable comparability between other local authorities and not the Council's organisational structure.

Balance Sheet at 31 March 2015

- 4.8. The Statement of Accounts includes a Balance Sheet that sets out the net worth of the Council at 31 March 2015 with the comparative figures for 31 March 2014. The Balance Sheet shows the assets and liabilities of the Council which are matched by the reserves held by the Council. The following paragraphs give a high level indication of the reason for movements between years.
- 4.9. Long term assets have increased by £42.5m, the majority of this movement is the increase in Assets under Construction and an increase in Infrastructure assets.
- 4.10. The increase in long term creditors is mainly caused by the movement in the Pensions Liability which has increased by £54.7m. This is a result of changes in market conditions, where liabilities have increased due to falling real bond yields but have partially been offset by strong asset returns.
- 4.11. Borrowing has been undertaken to support the Council's capital investment programme and to cover short term cash flow fluctuations only. To take advantage of the current favourable long term borrowing rates, long term borrowing has increased by £78.8m whilst short term borrowing has decreased by £26.1m.

Reserves and Balances

- 4.12. As reported to Council in March 2015, the Corporate Director Resources is charged with considering the level of Reserves and Balances required by the Council and making recommendations as to the adequacy of the amounts held. The closing balance for the General Fund for 2014/15 remains at £6.0m which is consistent with Medium Term Financial Strategy (MTFS).
- 4.13. Reserves are split into two categories; unusable and useable reserves. Unusable reserves are those reserves that absorb the timing differences arising from

different accounting arrangements eg Pensions Fund reserve. Useable reserves are those reserves that can be applied to fund expenditure or reduce local taxation. However, the Council is restricted in the use of some of the useable reserves such as school balances that can only be spent by schools and capital grants unapplied account which can only be used to finance the Capital Programme.

- 4.14. The total reserves have moved by £67.7m. The largest movement is in Unusable Reserves which contains both the Pensions Reserve and the Capital Adjustment Account.
- 4.15. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. As a result this reserve matches the pension liability as detailed in 4.10 and thus this reserve has increased by the same £54.7m.
- 4.16. The Capital Adjustment Account, which has decreased by £22.2m, reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. Charges such as depreciation and impairment were greater than the capital receipts and grants income for the year. Capital expenditure on schools and Academies have not increased the value of the balance sheet by the equivalent amount invested in the developments at these sites.
- 4.17. Earmarked Reserves are detailed in Note 17 and show the movements during the year and the balances at 31 March 2015. The Outturn report gives an overview of expected movements in 2015/16 and projected final year end balances at 31 March 2016.

Schools

- 4.18. Details on Schools Balances are shown in Note 16 to the Statements in the Accounts. This shows that there was a net decrease in School Balances during 2014/15 of £0.8m from £7.1m to £6.3m. As noted in 4.3 above School Balances now include 'private funds' held by schools, which for 2014/15 totalled £0.5m.

Audit Fee

- 4.19. The Audit Commission published audit fees for the Council of £144.7k for 2014/15. The fees of £160k shown in this note includes a provisional amount for extra work expected to be undertaken by PwC as part of their audit service based on past experience. For example during 2013/14 additional work was required on the changes in the Council Tax Support scheme, localisation of Business Rates along with elector's questions.

Next Steps - approval, signing, inspection and audit

- 4.20. The revised Accounts and Audit Regulations 2011, include the following for the approval and publication of the annual accounts:
 - the responsible financial officer must certify the presentation of the annual accounts no later than the 30 June 2015;

- the annual accounts must be published with the audit opinion and certificate, and before that must have been approved by members no later than 30 September 2015; and
 - the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given.
- 4.21. The Council considers it is good practice for Members to review and comment on the accounts prior to the Chief Finance Officer's certification. The Finance team will continue to review the accounts after Committee agenda despatch, working towards the CFO certification and the start of the audit. If any substantial changes are needed to the Accounts, then an update will be provided to Committee at this meeting.
- 4.22. The Auditor will decide the date (24 August 2015) from which they will receive questions on and objections to the Accounts. The Accounts will be placed on deposit for public inspection for not less than 20 working days before the date set by the Auditor (Regulation 14).
- 4.23. At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2014/15. This will be considered at the Audit Committee meeting on 21 September 2015.

5. CONSULTATION

No external consultation has been undertaken.

6. ANTICIPATED OUTCOMES

As set out in the report.

7. REASONS FOR RECOMMENDATIONS

The Accounts and Audit Regulations 2011 require that the Statements of Accounts be prepared to include the statements set out in Regulation 7 and that the signing and approval of the Accounts be undertaken as set out at Regulation 13 of those regulations. Approval of the Accounts is a non-executive function.

8. ALTERNATIVE OPTIONS CONSIDERED

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code) and hence alternative options are limited.

9. IMPLICATIONS

There are no Human Resource issues arising directly from the recommendations in this report.

10. BACKGROUND DOCUMENTS

- Budgetary control reports through 2014/15
- Council March 2014: Medium Term Financial Strategy
- The Accounts and Audit Regulations (England) 2011, Statutory Instrument

11. APPENDICES

- Appendix A - Statement of Accounts 2014/15