

POLICY, FINANCE AND ADMINISTRATION COMMITTEE

7 JULY 2015

REPORT OF HEAD OF CENTRAL SERVICES

STATEMENT OF ACCOUNTS 2014-15

1.0 THE PURPOSE OF THE REPORT

1.1 The purpose of this report is to submit the Statement of Accounts for 2014-15 for approval which have been prepared in accordance with the Audit Commission Act 1998 and the Accounts and Audit (England) Regulations 2011 and inform the Committee of the key issues within the accounts.

2.0 RECOMMENDATIONS

It is recommended that:

2.1 The Statement of Accounts for 2014-15 be noted.

3.0 BACKGROUND

3.1 The Accounts and Audit (England) Regulations 2011 (the Regulations) require a Statement of Accounts to be produced and approved by the appropriate committee. For the financial year 2014-15 this approval must be by 30 September 2015 although it is considered to be good practice to submit these as early as possible. It is still a requirement of the regulations that the accounts have to be signed off by the Section 151 Officer by 30 June 2015. The accounts must also be published by 30 September 2015 and are available for public inspection from 10 July to 7 August 2015.

3.2 The format of the accounts is largely governed by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) guidance notes produced for Local Authority Accounts by the Chartered Institute of Public Finance & Accountancy (CIPFA).

3.3 The Regulations require the person presiding at the Governance committee at which the accounts are approved in September to sign and date the Statement of Accounts.

3.4 It should be noted that the accounts are still subject to audit and therefore amendments could be required as a result of the auditors' findings.

3.5 FUTURE CONSIDERATIONS

3.5.1 The Local Audit & Accountability Act 2014 requires that Local Authorities publish an audited copy of their statement of accounts by 31 July from 2017/18 instead of the current date of 30 September. This therefore requires authorities to sign off the unaudited accounts by 31 May instead of 30 June. We have this year started to shorten the closedown period and will continue to do so incrementally until 31 May is achievable, we propose by 31 May 2017 – a full year early.

3.5.2 In order to achieve this, it will be necessary to rely on the increased use of estimates in the final accounts, this has two potential consequences;

- That there will be an increase in the amount of post-audit amendments; and
- That there will be a knock-on effect into the following financial year if estimates of accruals are not as accurate.

3.6 In addition, 2014/15 is the final year that Pricewaterhouse Coopers will be auditing the authority's accounts and other submissions. From 2015/16 Ernst & Young will take over this role, with meetings envisaged between them and key officers before audits commence.

4.0 **KEY ISSUES**

4.1 The Statement of Accounts essentially shows the year end revenue and capital position in a prescribed format as required by the Code. A report considering the General Fund (GF) and Housing Revenue Account (HRA) position in comparison to the budget is discussed in more detail in a separate report on this committee's agenda. The provisional HRA year end position was also reported to a meeting of the Community & Social Affairs Committee on 17 June 2015. Key points to note in relation to the GF, the HRA, the Capital Programme and the Balance Sheet summarising the Council's assets and liabilities at the 31 March 2015 are set out in the following paragraphs.

4.2 **GF & HRA REVENUE ACCOUNTS**

4.2.1 The service classification within the Comprehensive Income and Expenditure Statement (shown on page 9 of the Statement of Accounts) is presented in line with CIPFA's Best Value Accounting Code of Practice and is therefore not directly comparable with the format of the Council's budget. The segmental reporting requirements, however, do report on significant elements of the Council's budget.

4.2.2 The explanatory foreword provided at the beginning of the Statement of Accounts compares the final year end position against the original budget approved in February 2014. In summary the Council underspent its original General Expenses budget by a net £416k, and overspent its original Special Expenses budget by a net £14k. When compared to the estimated year end position (spending forecast but not formally approved budget), as reported to Full Council on 4 February 2015, there is an underspend for General Expenses of £588k. For Special Expenses there is an overspend of £9k. Within the overall financial position there are a number of general expense services that have underspent their budget resulting in the sum of £359k being proposed to be carried forward into 2015-16. When taking this into account the result is an underspend on General Expenses of £57k against the original budget. There were no carry forwards for Special Expenses. The reasons for the General Expenses and Special Expenses variances against budget are explained in a separate report on this committee's agenda.

4.2.3 There was also an underspend of £120k relating to the HRA when compared to the original estimate and £179k compared to the latest approved budget; the reasons for which were explained to the Community & Social Affairs Committee in a meeting held on 17 June 2015.

4.2.4 The effect of the underspend identified in paragraph 4.2.2 above is to increase the Corporate Priorities Reserve from £1,591k at 1 April 2014 to £2,007k at 31 March 2015. The General Reserve for Special Expenses (MM) has reduced from £379k to £374k in the same period due to £50k of spend on capital projects from this reserve. The HRA working balance in the same period has reduced from £1,333k to £1,120k. As set out in the report elsewhere on the agenda there are a number of commitments made against these reserves in 2015-16.

4.3 **CAPITAL PROGRAMME**

4.3.1 Total capital expenditure for all funds amounted to £3,192k, which represents an underspend of £3,872k on the approved programme of £7,064k; of this underspend all of it has been carried forward into 2015-16. Full details of the provisional year end position relating to capital were reported to a meeting of this committee held on 15 April 2015.

4.4 BALANCE SHEET

- 4.4.1 Closer analysis of the Balance Sheet tells us, for example, the Council's position on reserves whether past capital expenditure is financed or subject to borrowing arrangements, explains whether money owed to the Council exceeds money owed by it and explains what resources the Council has to invest. However, it should be noted that the figures shown in the Balance Sheet are a snapshot taken on one day i.e. 31 March 2015.

Reserves

- a) The balance on the Corporate Priorities Reserve has increased from £1,591k at 1 April 2014 to £2,007k at 31 March 2015. The balance on the General Reserve for Special Expenses (MM) for the same period has reduced from £379k to £374k. For Special Expenses (MM) the working balance has remained at £50k being its approved level as approved by Full Council on 4 February 2015. For General Expenses the working balance has remained at £820k as approved by the same meeting. The level of reserves will be adjusted in 2015-16 in order to reflect the carry forward of both capital and revenue budget underspends from 2014-15 and the estimated position on the reserves is covered in a separate report on this committee's agenda.
- b) The working balance on the HRA has reduced from £1,333k at 1 April 2014 to £1,120k at 31 March 2015. This is in excess of the minimum level of £750k for 2015-16 as recommended in the Council's Medium Term Financial Strategy (MTFS).
- c) The balance on the Pensions Reserve shows an excess of liabilities over assets of £21.702m. This is a significant increase on the liability of £17.792m at 31 March 2014. This is principally because financial assumptions at 31 March 2015 are less favourable than they were at 31 March 2014. This deficit on the Local Government pension scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary. These are notional figures only as the accounts for pensions are held by the County Council. It does, however, give an indication of the underlying commitments that the Council has in the long-term to pay retirement benefits.

Capital Accounts

- a) An analysis of the Balance Sheet allows us to determine whether the actual amount of borrowing during the year for capital purposes is significantly different from the Capital Financing Requirement (CFR). The CFR represents the amount of borrowing required to fund capital expenditure after utilising all other funds available e.g. capital receipts, capital grants, capital and revenue contributions, etc. The following table indicates that the Council's actual borrowing was within the level of the CFR:

Analysis of Balance Sheet	31-Mar-15 £'000	31-Mar-14 £'000
Fixed Assets	91,669	84,802
Less Financing to date	-60,034	-52,763
CFR (Borrowing Requirement)	31,635	32,039
Less Long Term Borrowing	-31,534	-31,982
Under Borrowing	101	57

- b) The net borrowing at the balance sheet date should not exceed the CFR, and at the 31 March 2015 was below that figure due to a small amount of internal borrowing. The Council, as a result of a large capital receipt, repaid its General Fund debt and reduced its General Fund CFR, with no new borrowing taken out in the year. £448k of HRA borrowing was repaid at 30 March 2015.

Debtors and Creditors

a) The table below illustrates that there is a continued excess of debtors at 31 March 2015 (money owed to the Council) over creditors (money owed by the Council). For a healthy cash flow position the ideal scenario would be for the Balance Sheet to show an excess of creditors over debtors. This therefore shows a slight decrease in performance over the previous year. However, as mentioned above, the figures shown in the Balance Sheet are a snapshot at 31 March. It can be more useful to make comparisons over time hence the previous year's figures shown. The main reasons for the change in both the short term creditors figure and the short term debtors figure is explained below:

- At 31 March 2014 there was a net debtor balance of £202k being the preceptor and government shares of the deficit on the new business rates retention scheme part of the collection fund less the amount of levy payable to the pool. At 31 March 2015 this part of the collection fund is in surplus so not only are the preceptor shares creditors but there is also additional levy payable to government, this has resulted in net creditor of £465k.
- The provisions set up to offset the share of the Council's loss in regard to a fraudulent payment has been removed as this amount has been agreed and paid in the year, this was for £103k, and the provision relating to the Council's share of outstanding business rates appeals has increased by £61k.
- There is a general decrease in the figure for capital creditors of £315k, an increase in the sundry creditors of £405k and an increase in the sundry debtors of £750k. There are a large number of transactions that make up these figures.
- The provision for doubtful debt was increased by £90k which is linked to the increase in sundry debtors above.
- The remainder is a mixture of benefit related creditors and employee related accruals.

Analysis of Balance Sheet	31-Mar-15 £'000	31-Mar-14 £'000
Creditors & Provisions	4,302	3,890
Less:		
Stocks and Work in Progress	0	0
Long Term Debtors	0	0
Short Term Debtors	5,136	4,676
Excess of Debtors over Creditors (-)	-834	-786

Cash Resources

a) The following table shows that where there have been cash resources available that these have been invested either internally or externally in order to both maximise the Council's income from interest receipts or reduce interest paid. The previous year has been included for comparison purposes.

Analysis of Balance Sheet	31-Mar-15 £'000	31-Mar-14 £'000
Cash Resources:		
- Useable Capital Receipts & Contributions	6,356	6,823
- Earmarked Reserves	8,917	6,502
- Balances	1,984	2,206
Funds Available for Investment	17,257	15,531
Excess of Debtors over Creditors	-834	-786
Resources / Cash Available for Investment	16,423	14,745
Cash & Cash Equivalents	16,662	14,927
Excess (-) / Deficit of Investments over Resources	-239	-182

The Council is continuing, at the Balance Sheet date, to maximise its funds available.

4.5 **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

At this stage the Comprehensive Income & Expenditure Statement contains a figure of £17,740 within an Exceptional Item line. This figure is due to an unexpected imbalance on this account. Investigations into the cause will continue.

5.0 **POLICY AND CORPORATE IMPLICATIONS**

5.1 The Statement of Accounts is a corporate document. The Statement of Accounts (subject to audit) will be advertised as available for public inspection and the auditors available to answer questions. Following the completion of the audit the audited accounts will be advertised on the Council's website and be available for purchase.

6.0 **FINANCIAL & OTHER RESOURCE IMPLICATIONS**

6.1 There are no further financial and resource implications other than those identified above.

7.0 **LEGAL IMPLICATIONS/POWERS**

7.1 As set out above the requirements covering the arrangements for the production, approval and publication of the Statement of Accounts is governed by the Accounts and Audit (England) Regulations 2011 as amended.

8.0 **COMMUNITY SAFETY**

8.1 There are no direct community issues arising from this report.

9.0 **EQUALITIES**

9.1 There are no direct equality issues arising from this report.

10.0 **RISKS**

10.1 There is a risk that the accounts will not be signed off by the auditors as a result of errors; however, every effort has been made to ensure the accuracy of the Statements.

11.0 **CLIMATE CHANGE**

11.1 There are no climate change issues arising from this report.

12.0 **CONSULTATION**

12.1 The Council's external auditors have been consulted in preparing the Statement of Accounts.

12.2 The public are provided with an opportunity to question the auditor on the accounts (see also paragraph 5.1).

13.0 **WARDS AFFECTED**

13.1 All wards are indirectly affected.

Contact Officer: Carol King
Date: 23 June 2015
Appendices: Appendix A - Statement of Accounts 2014-15
Background Papers: Final Accounts Working Papers
CIPFA Code
CIPFA Disclosure Checklist
Reference: X: C'tees, Council & Sub-C'tees/PFA/2015-16/7-07-15/DG-Statement of Accounts