

**AUDIT AND RISK COMMITTEE**

22 September 2015

**STATEMENT OF ACCOUNTS 2014/15****Report of the Director for Resources**

Strategic Aim:	<b>Delivering Council services within our Medium Term Financial Plan</b>	
Exempt Information	No	
Cabinet Member(s) Responsible:	Councillor Terry King, Portfolio Holder for Places (Environment and Transport) and Resources	
Contact Officer(s):	Saverio Della Rocca, Assistant Director – Finance (S151 Officer)	Tel: 01572 758159 sdellarocca@rutland.gov.uk
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Ward Councillors	N/A	

**DECISION RECOMMENDATIONS**

That the Audit and Risk Committee:

1. Approves the Statement of Accounts for 2014/15 at Appendix A including the Annual Governance Statement

**1 PURPOSE OF THE REPORT**

- 1.1 This report presents the statutory Statement of Accounts 2014/15 in the form prescribed by regulation (Appendix A) to meet the statutory requirement for the Council to approve and publish its annual statement of accounts by 30 September 2015.

**2 BACKGROUND AND MAIN CONSIDERATIONS****2.1 Overview**

- 2.1.1 The Statement of Accounts (SoA) is produced in line with International Financial Reporting Standards (IFRS) requirements which determine the contents and format of the Statement. There are no major changes in the IFRS requirements from those applicable in the previous year.
- 2.1.2 The financial outturn reported to Cabinet on 21 July (report 96/2015) is incorporated into the SoA and Note 1 on pages 15 to 17 in Appendix A reconciles the reported figure to the Comprehensive Income and Expenditure Statement and

the Movement in Reserves Statement.

- 2.1.3 The SoA was certified as presenting a true and fair view of the authority's financial position by the Assistant Director – Finance (Section 151 officer) on 30 June 2015 (thus complying with the Accounts and Audit Regulations 2011). The SoA together with supporting working papers were then submitted to the external auditor to start their audit on 13th July and questions and issues raised during the course of the audit were logged and responded to promptly. The external auditor will report on their findings from the audit and their opinion on whether the accounts provide a true and fair view.
- 2.1.4 At the Audit and Risk Committee meeting held on 30 June 2015 an Annual Governance Statement was agreed for inclusion within the Statement of Accounts (report 109/2015). The Annual Governance Statement was submitted to the external auditor with the Statement of Accounts by 30th June 2015 in accordance with the regulatory requirements.
- 2.1.5 In light of the section 106 matter reported to Full Council on 14<sup>th</sup> September, the Council has reviewed the Annual Governance Statement and made various changes (there is a separate paper on this agenda covering the AGS in more detail). The Council has also reviewed the remainder of the Statement of Accounts and made some additional disclosures in the Explanatory Forward (pages 5 and 6) and Note 34 (Post Balance Sheet Events – page 46).

## **2.2 Key Issues to Note**

- 2.2.1 Pensions - The Council's net pension liability for the Local Government Pension Scheme (controlled by Leicestershire County Council as the Pension Fund administrator) has increased from £34.5 million (2014) to £42.0 million in the year to 31 March 2015. There are two main elements that create this liability: the value of assets held by the pension fund, and the estimated future demands for pension payments. While the value of assets has increased by £6.7 million during the year, liabilities have also increased by £14.2 million.
- 2.2.2 The £42m liability is shown in the Pension Fund Reserve (note 31). Clearly, this figure could go up or down depending on return on investment, contribution rates, life expectancy etc. Every Council has a pension liability and the growth in the pension liability is consistent across the sector.
- 2.2.3 Income and Expenditure - The Surplus or Deficit on the Provision of Services line shows the true cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES), page 12. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The reasons for this are explained below.
- 2.2.4 The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council, for more detailed movements, see Note 13.
- 2.2.5 The table below summarises the key movements on the CIES

<b>CIES Line</b>	<b>Amount (£m)</b>
Cost of Services	30.4
Loss on Disposal of Assets	7.0
Parish Precepts	0.5
Council Tax and Other Income	(37.7)
<b>Deficit of Provision of Services (The true cost in accounting terms of providing services)</b>	<b>2.9</b>

2.2.6 This converts into a surplus in GF reserves of £1.6m (as per the Council's management accounts) because some items included for accounting purposes above are not included for council tax setting purposes and some items not in the cost of provision of services are included for council tax setting purposes:

<b>CIES Line</b>	<b>Amount (£m)</b>
<b>Deficit of Provision of Services</b>	<b>2.9</b>
Remove items not included for Council tax setting purposes:	
Depreciation ( <i>is included for accounting purposes but for council tax setting purposes is removed and replaced by Minimum Revenue provision – an amount set aside for the repayment of debt</i> )	0.9
Capital Grants ( <i>capital grants are removed because they are capital related and excluded for council tax setting purposes</i> )	(3.7)
Disposal of Assets ( <i>Unlike a private company, the council works out loss/gain on assets for accounting purposes only. Any capital proceeds must be used to repay debt or reinvest in capital so are excluded as income for council tax setting purposes</i> )	7.0
Pension Movement ( <i>This movement shows the difference between the actual amount paid over to the pension scheme and the amount of the increase in the net liability for the Councils pension scheme</i> )	1.1
Add back items that are not included for within the CIES:	
MRP ( <i>this is the amount set aside for repayment of debt as indicated above</i> )	1.1
Other Items	1.5
<b>General Fund Surplus (as per outturn report 96/2015)</b>	<b>(1.6)</b>

2.2.7 Capital Expenditure – No significant new assets were purchased. All capital expenditure (classed in additions in the table below) was related to enhancing existing assets. There were no assets sold for a capital receipt within the year. All disposals related to the transfer of schools to academies. The revaluations of assets during the year generated an increase in value of £5m. Note 17 in the SoA

shows the detailed movement on assets. The table below summaries these movements.

	<b>Amount (£m)</b>
Asset Valuation 1 April 2014	73.4
Depreciation	(2.0)
Disposals	(7.3)
Revaluation Gain	5.1
Additions	5.2
<b>Asset Valuation 31 March 2015</b>	<b>74.4</b>

2.2.8 Debtors – The table below shows the level of debtors as at the 31 March 2015. The table explains the key movements on the figures.

<b>Amount 2013/14 (£m)</b>	<b>CIES Line</b>	<b>Amount 2014/15 (£m)</b>
2.5	Central Government – <i>(This mainly represents grants that the council is entitled to during 2014/15 but have yet to be claimed. The reason for the decrease is in 2013/14 debtors included £1.2m for Travel 4 Rutland. The project has now finished and only £0.2m was outstanding in 14/15).</i>	1.3
0.4	Other Local Authorities	0.3
0.9	NHS Bodies – <i>(The councils works closely with NHS Bodies to deliver services and during 2014/15 the Better Care Fund Pilot was established and the increase in debt was as a result of the final payment required under the Better Care Fund agreement).</i>	1.3
0.1	Schools	0.1
2.4	Other Entities & Individuals	2.1
<b>6.3</b>	<b>Total</b>	<b>5.1</b>

2.2.9 As with any debt the council has a provision to mitigate the impact the of non-payment of the debt outstanding, this is known as the Bad Debt Provision. There has been a slight reduction in this provision in 2014/15. The provision for 2013/14 was £194k and for 2014/15 the required provision is £186k.

2.2.10 The provision is calculated based on the age of debts and any debt identified as high risk is provided for in full. The reason for the decrease from 2013/14 is a reflection of the improvements in chasing outstanding debt, this has resulted in a lower aged debt position than in previous years.

2.2.11 Provisions – The Council creates a provision when it is aware of a liability it must settle, but is unsure of the timing of the settlement. The 2014/15 accounts contains two provisions.

- Land Charges £19k – This provision was made to meet the settlement of the ongoing national legal case against all local authorities due to changes in legislation.
- Business Rates Appeals £286k – Businesses can lodge appeals to the Valuation Office against the rateable value of their business premises. These appeals can result in a decrease in the amount of rates payable and can be backdated. To mitigate the risk of the appeals a provision is created against the total value of appeals. As at the 31 March 2015 the Council has 129 appeals against a rateable value of £6.2m.

2.2.12 Investments – The amount held in relation to investments can be found on the balance sheet within the accounts. The total invested is a combination of two entries

2.2.13 Short Term Investments £14m – These cover fixed term investments, generally with banks and buildings societies. These mature over various points within the year and were for mixed terms but all for less than one year.

2.2.14 Cash & Cash Equivalents £5m – These are investments that are held in instant access investment accounts

### **2.3 Main Statements Explained**

2.3.1 There are 3 main statements within the Statement of Accounts. The Comprehensive Income and Expenditure Statement, The Movement in Reserve Statement and the Balance Sheet.

2.3.2 To aid the understanding of these statements a guide explaining what is shown on each statement and the purpose of the statement has been prepared in Appendix B.

## **3 CHANGES MADE TO THE DRAFT ACCOUNTS PUBLISHED ON 30 JUNE 2015**

3.1 The main changes made to the Statement of Accounts are those mentioned in section 2.5 of this report.

3.2 There have been no material changes made at the request of the auditors.

3.3 There have been minor adjustments made due to casting errors on certain notes and slight wording changes to aid the readability of the accounts to end users.

## **4 CONSULTATION**

4.1 Under the Audit Commission Act 1998, sections 15 and 16 and the Accounts and Audit (England) Regulations 2011 Regulations 9, 10, 21, 22 and 24 the public have been able to view and comment on the accounts from the 30 June 2015 until the conclusion of the audit. At the time of writing the report there had been no requests to view or comment on the accounts to either the Council or to the Auditors.

## **5 ALTERNATIVE OPTIONS**

- 5.1** The Audit and Risk committee could choose not to approve the Statement of Accounts 2014/15 and the Annual Governance Statement. However, doing so would result in the Council not meeting its statutory duty to approve and publish audited accounts by the 30 September 2015.

## **6 FINANCIAL IMPLICATIONS**

- 6.1** The financial implications contained within this report have already been highlighted and approved as part of the outturn report (96/2015).
- 6.2** The key financial aspects of the accounts are included within section 2.

## **7 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 7.1** Section 3 of Part 3 of the Councils Constitution state that it is the responsibility of the Audit and Risk Committee to approve the Councils Annual Statement of Accounts and Annual Governance Statement.
- 7.2** Other than the statutory requirement to publish the signed audited accounts by the 30 September 2015, there are no further legal considerations.

## **8 EQUALITY IMPACT ASSESSMENT**

- 8.1** An Equality Impact Assessment (EqIA) has been completed. No adverse or other significant issues were found

## **9 COMMUNITY SAFETY IMPLICATIONS**

- 9.1** There are no community safety implications.

## **10 HEALTH AND WELLBEING IMPLICATIONS**

- 10.1** There are no health and wellbeing implications.

## **11 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

- 11.1** This report presents the audited Statement of Accounts for the financial year 2014/15 highlights some of the key matters, and asks the Audit and Risk Committee to approve them in line with their constitutional responsibility.

## **12 BACKGROUND PAPERS**

- 12.1** None

## **13 APPENDICES**

- Appendix A – Statement of Accounts
- Appendix B – Key Statements explained

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