

 <b>Council 23 September 2015</b>		<b>Agenda Item No. 11</b>
<b>Title</b>	Statement of Accounts and Annual Governance Statement 2014/15	
<b>For further information about this report please contact</b>	Mike Snow Tel 01926 456800 <a href="mailto:mike.snow@warwickdc.gov.uk">mike.snow@warwickdc.gov.uk</a> Marcus Miskinis Tel 01926 456804 <a href="mailto:marcus.miskinis@warwickdc.gov.uk">marcus.miskinis@warwickdc.gov.uk</a>	
<b>Wards of the District directly affected</b>	None	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Finance & Audit Scrutiny 10 June 2015 Executive 16 June 2015 Finance & Audit Scrutiny 28 July 2015	
<b>Background Papers</b>	Accounts and Audit (England) Regulations 2011 Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (CIPFA) Service Reporting Code of Practice 2014/15 (CIPFA)	
<b>Contrary to the policy framework:</b>		
		No
<b>Contrary to the budgetary framework:</b>		
		No
<b>Key Decision?</b>		
		No
<b>Included within the Forward Plan? (If yes include reference number)</b>		
		No
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>		
		N/A
<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	10 Sept 2015	Andrew Jones
Head of Service	10 Sept 2015	Mike Snow
CMT		
Section 151 Officer	10 Sept 2015	Mike Snow
Monitoring Officer	N/A	
Finance	N/A	Finance Report
Portfolio Holder(s)	13 Sept 2015	Councillor Whiting
<b>Consultation &amp; Community Engagement</b>		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.  The accounts have been made available for public inspection.		
<b>Final Decision?</b>		Yes

## **1. SUMMARY**

- 1.1 The accounts have been closed in respect of the financial year 2014/15 and the outturn duly reported to the Executive in June. The unaudited Statements were presented to the Finance and Audit Scrutiny Committee in July.
- 1.2 At the time of writing this report the audit was still ongoing. This report deals with the audit issues raised to date. An updated report and the Statement of Accounts 2014/15 will follow during the week 14 – 18 September.

## **2. RECOMMENDATIONS**

- 2.1 The Council approves the Statement of Accounts 2014/15.

## **3. REASONS FOR THE RECOMMENDATIONS**

- 3.1 As part of corporate governance, Members have an important role in overseeing the framework of internal control of the Council. There is a statutory requirement to have the Statement of Accounts approved by 30 September.

## **4. POLICY FRAMEWORK**

- 4.1 **Policy Framework** – The Statement of Accounts for 2014/15 represents a historic account of the financial performance for that year and, therefore, identifies how well, or otherwise, the Budget and Policy frameworks have been complied with.
- 4.2 **Fit for the Future** – This report has no direct impact on Fit for The Future as it is a historical presentation of the past year's operations.
- 4.3 **Impact Assessments** - The Council's Statement of Accounts covers the community throughout the District. It is a statement of fact and officers will have considered any impact when finalising the accounts.

## **5. BUDGETARY FRAMEWORK**

- 5.1 The Statement of Accounts 2014/15 (Appendix A) is a historic account of the financial performance of the year and shows comparison with the budget (where appropriate) for 2014/15 and the results for 2013/14.
- 5.2 Full details looking at the outturn for the year against the agreed budget was included within the Final Accounts report to the Executive in June.

## **6. RISKS**

- 6.1 The main risk is that External Audit uphold any objections raised in respect of the accounts.

## **7. ALTERNATIVE OPTION(S) CONSIDERED**

- 7.1 Not to approve the Statements. However, it should be noted that this would contravene statutory requirements to approve and sign the accounts before 30 September.

## **8. BACKGROUND**

- 8.1 The accounts have been compiled so as to comply with the appropriate accounting standards and the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
- 8.2 The Accounts and Audit Regulations 2011 require that the responsible financial officer must, no later than 30<sup>th</sup> June immediately following the end of a year, sign and date the statement of accounts.
- 8.3 An advertisement was placed in local newspapers and on the Council's website on 19 June informing electors of their rights to inspect the accounts between 13 July and 7 August and to question the auditor about those accounts from 10 August until the conclusion of the Audit.
- 8.4 The Regulations also require that members approve the audited accounts by no later than 30 September. Consequently, meetings have been set up for 22 and 23 September for the Finance and Audit Scrutiny Committee and Council, respectively, to meet their responsibilities.
- 8.5 The Audit has not been completed at the time of writing this report although it is expected that the work will be completed by 17 September and, consequently, the Statements will be forwarded once the audit has been finalised.

## **9. STATEMENT OF ACCOUNTS**

- 9.1 The Statement of Accounts (to follow) has been prepared using principles and practices of accounting which 'presents a true and fair view' of the financial position and transactions of the Council. 'Proper accounting practices' are deemed to be those specified in CIPFA's "Code of Practice on Local Authority Accounting in the United Kingdom 2014/15" ("the Code") which involves interpretations of accounting standards and other pronouncements by the Accounting Standards Board.
- 9.2 As a consequence of the above, the Statements are required to be shown in a format which more closely follows that used to produce commercial accounts.
- 9.3 The Statement of Accounts comprises four primary statements plus two supplementary statements that reflect specific activities of a shire district council – the Housing Revenue Account and the Collection Fund.
- 9.4 The first primary statement is the Movement in Reserves Statement (page 9). This shows the movement in the year on the different reserves held by the Council and analyses them into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves (i.e. 'unusable reserves'). The statement shows the true economic cost of providing the Council's services, the statutory adjustments required for tax and rent setting and the use of any earmarked reserves.

- 9.5 The second primary statement is the Comprehensive Income and Expenditure Statement (page 10). This is a more detailed analysis of the true economic cost of providing services referred to above. Although it would appear that the Council is operating at a large surplus, this is mainly due to the new accounting regime operating in the wake of HRA Self Financing in 2011/12, whereby the Council is putting aside resources to build more homes and a large reversal in 2014/15 to past impairment revaluations on the HRA stock (£16.1m).
- 9.6 The Balance Sheet (page 11) is a relatively simple statement with the details now being provided in the notes.
- 9.7 Similarly, the Cash Flow Statement (page 12) is a more abridged version with the notes providing the details. The IFRS Cash Flow statement includes both cash and cash equivalents i.e. non-cash items that can be quickly liquidated, such as short term investments.
- 9.8 The accounts have been audited during August and September.
- 9.9 One significant error has been identified that has required changes throughout the Statements. The Council is required to ensure that its property assets reflect fair value in the Balance Sheet and in order to comply with this requirement a sample of General Fund assets is revalued at 31<sup>st</sup> March each year and the resultant valuation changes extrapolated over all other similar assets which have not themselves been revalued during the year. Where the valuation change is considered to be material the value in the Balance Sheet of the assets concerned is adjusted. The external auditors looked at the valuations of the car parks included in the 2014/15 review and deemed that the change in valuations was sufficient that the values of those car parks not reviewed should be revalued by a similar increase which amounted to £837,000. At the same time it was decided that a reduction in revaluation gains in respect of HRA properties (£241,000) be adjusted. This change has affected all of the four primary statements and many of the associated notes.
- 9.10 The valuation of Heritage Assets was received very late, which created a number of problems in terms of ensuring all of the correct entries went through the draft accounts as presented to members in July. As a result, all entries were taken through the revaluation reserve. However, further analysis of the revaluations demonstrates that they mostly relate to donated assets and as such are chargeable to the Capital Adjustment Account via the Comprehensive Income & Expenditure Statement. The impact of this change is £1.003m.
- 9.11 There was one other significant misstatement identified when compiling the audit working papers that required a change. It is in the Comprehensive Income and Expenditure Statement. The cost of administering the Housing Benefits Scheme is shown within the "Other Housing Services" line. However, part of the Benefits team's work is in respect of administering the Council Tax Reduction Scheme which should be included within the "Central Services to the Public" line. This is usually done through a manual adjustment to the Comprehensive Income & Expenditure Statement. The adjustment is £490,000.
- 9.12 None of the above changes have affected the General Fund Balance.