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|  <b>Council 24 September 2014</b>  |   | <b>Agenda Item No. 17</b> |
| <b>Title</b>  | Statement of Accounts 2013/14   |                           |
| <b>For further information about this report please contact</b>   | Mike Snow Tel 01926 456800<br>mike.snow@warwickdc.gov.uk<br>Marcus Miskinis Tel 01926 456804<br>marcus.miskinis@warwickdc.gov.uk  |                           |
| <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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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>   | Executive 11 June 2014; Finance and Audit Scrutiny 29 July 2014; Standards 9 September 2014   |                           |
| <b>Background Papers</b>  | Accounts and Audit (England) Regulations 2011<br>Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (CIPFA)<br>Service Reporting Code of Practice 2013/14 (CIPFA) |                           |
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|--|-----|
| <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 |
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| <b>Officer/Councillor Approval</b>     |              |                 |
|--|--------------|-----------------|
| <b>Officer Approval</b>                | <b>Date</b>  | <b>Name</b>     |
| Chief Executive/Deputy Chief Executive | 10 Sept 2014 | Chief Executive |
| Head of Service                        | 09 Sept 2014 | Mike Snow       |
| CMT                                    |              |                 |
| Section 151 Officer                    | 09 Sept 2014 | Finance Report  |
| Monitoring Officer                     |              |                 |
| Finance                                | 09 Sept 2014 | Finance Report  |
| Portfolio Holder(s)                    |              | Cllr Cross      |

| <b>Consultation &amp; Community Engagement</b>   |     |
|--|-----|
| Insert details of any consultation undertaken or proposed to be undertaken with regard to this report. |     |
| <b>Final Decision?</b>   | Yes |
| <b>Suggested next steps (if not final decision please set out below)</b>                               |     |

## **1. SUMMARY**

- 1.1 The accounts have been closed in respect of the financial year 2013/14 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 The Statements have now been audited by Grant Thornton UK LLP and were presented to the Finance and Audit Scrutiny Committee yesterday, together with the external auditor's Annual Governance Report.

## **2. RECOMMENDATION**

- 2.1 The Council approves the Statement Of Accounts 2013/14.

## **3. REASONS FOR THE RECOMMENDATION**

- 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 and published by 30 September.

## **4. POLICY FRAMEWORK**

- 4.1 **Policy Framework** – The Statement of Accounts for 2013/14 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.

## **5. BUDGETARY FRAMEWORK**

- 5.1 The Statement of Accounts 2013/14 is an historic account of the financial performance of the year and shows comparison with the budget for 2013/14 and the results for 2012/13.

## **6. RISKS**

- 6.1 That objections to the accounts are upheld by the external auditor (see paragraph 8.3). Discussions are currently ongoing with the external auditor to address the issues raised.

## **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 2013/14 and are included as Appendix 'A'.

- 8.2 The Accounts and Audit (England) Regulations 2011 require the responsible financial officer, by no later than 30 June immediately following the yearend, to sign and date the Statement of Accounts. This was completed on 30 June 2014. The draft Accounts were then presented to Finance and Audit Scrutiny Committee for consideration in July, ahead of the audit.
- 8.3 An advertisement was placed in local newspapers and on the Council's website on 27 June informing electors of their rights to inspect the accounts between 21 July and 15 August and to question the auditor about those accounts from 18 August until the conclusion of the Audit. There have been four requests for information behind the accounts. One local resident has made an objection to the accounts in relation to leases at St. Mary's Lands in Warwick, which the objector is suggesting has not been properly accounted for. The Auditor is currently considering the issues raised.
- 8.4 The 2011 Regulations also require that members approve and publish the audited accounts by no later than 30 September. Consequently, meetings were set up for 23 and 24 September for the Finance and Audit Scrutiny Committee and Council, respectively, to meet their responsibilities.

## **9. ANNUAL GOVERNANCE STATEMENT**

- 9.1 The Accounts and Audit (England) Regulations 2011 require local authorities to 'conduct a review at least once a year of the effectiveness of its system of internal control' and to include a statement on internal control with the Statement of Accounts. The regulations require local authorities to produce the statement in accordance with 'proper practices in relation to internal control'.
- 9.2 Following various reviews, a new Framework has been put in place which recommends that the review of the effectiveness of the system of internal control should be reported in an Annual Governance Statement.
- 9.3 To support the conclusions in the Annual Governance Statement, each year a review is to be carried out of the system of internal control to highlight any serious control issues and actions needed to deal with them.
- 9.4 The Annual Governance Statement, containing the findings of the review, is appended to the Statement of Accounts.
- 9.5 As expected, for an authority of our size, the review identified a number of areas for improvement in internal control and these form a series of actions to take.
- 9.6 The Standards Committee considered the Annual Governance Statement at its meeting on 9 September 2014 and recommended its approval.

## **10. STATEMENT OF ACCOUNTS**

- 10.1 The Statement of Accounts has been prepared using principles and practices of accounting which 'presents a true and fair view' 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 2013/14" ("the Code") which involves interpretations of accounting standards and other pronouncements by the Accounting Standards Board.

- 10.2 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.
- 10.3 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.
- 10.4 The first primary statement is the Movement in Reserves Statement (page 11). 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.
- 10.5 The second primary statement is the Comprehensive Income and Expenditure Statement (page 12). 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 2013/14 to past impairment revaluations on the HRA stock (£16.5m).
- 10.6 The Balance Sheet (page 13) is a simpler statement than one shown under the former reporting standards with the details now being provided in the notes.
- 10.7 Similarly, the Cash Flow Statement (page 14) 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 e.g. short term loans.
- 10.8 The only any significant change in the accounting standards since last year is in respect of IAS 19 relating to employee benefits (pensions). This has required the comparative data from 2012/13 to be restated. This has not resulted in any changes in the Balance Sheet figures.
- 10.9 These accounts have been audited during August and September.
- 10.10 One significant error has been identified that has required changes to the Comprehensive Income and Expenditure Statement, the Housing Revenue Account Income and Expenditure Statement and various other notes. It has not affected the Balance Sheet or Cash Flow Statement.
- 10.11 In Note 12 the derecognition (disposals figure) in respect of council dwellings was understated by £614k due to mistakenly reducing the correct figure of £1,406k by the proceeds of HRA - Assets Held For Sale (£614,000) brought forward at 1 April 2013. In actual fact the correct figure already excluded the HRA Assets Held For Sale brought forward. Within the HRA, this has had the effect in increasing the Revaluation increase recognised in the surplus/deficit on the provision of services from £14,341k to £14,955k thus leading to the adjustments outlined in 10.10 above.
- 10.12 In Notes to the Housing Revenue Account note 5 had not been updated for 2013/14 and showed the 2012/13 data by mistake.