



Committee and date
Audit Committee

25 June 2015

Item

Public

STATEMENT OF ACCOUNTS 2014/15

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1. Summary

The 2014/15 Statement of Accounts, which is subject to audit, must be certified as a true and fair view of the financial position of the authority by the S151 Officer by 30 June 2015 (Accounts and Audit Regulations 2011). The Draft Statement of Accounts for 2014/15 is appended to this report. This report provides an overview of the Accounts and also provides details of the reasons for the most significant changes between the 2013/14 Accounts and the 2014/15 Accounts.

The final revenue outturn for 2014/15 is an underspend of £0.300m on an original gross budget of £578m. The final capital outturn shows a spend of £54.253m, representing 82% of the revised budget.

The authority's specific reserves and provisions have increased by £17.939m. The general fund balance has increased by £0.709m. Schools' balances have decreased by £1.565m. Full details of the revenue and capital outturn position and the reserves, provisions and balances held by the authority are set out in separate reports on the Agenda for this meeting.

2. Recommendations

It is recommended that Members:

- A. To receive and comment on the draft 2014/15 Statement of Accounts.
- B. To agree that the Head of Finance, Governance and Assurance be authorised to make any final adjustments to the Statement of Accounts prior to the 30 June 2015.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. Details of the potential risks affecting the balances and financial health of the Council are detailed within the report. Each projection is also RAG rated to confirm the level of risk to the Council's balances.

4. Financial Implications

- 4.1. This report considers the projected outturn position for the 2014/15 revenue budget and the implications on the level of general fund balances of any overspends or spending pressures.

5. Background

- 5.1. A copy of the 2014/15 Statement of Accounts is attached at Appendix 1. The external audit by Grant Thornton will take place during July and August, after which the Statement of Accounts will be formally published and a final report brought to Full Council. Any material changes as a result of the audit will be reported to the Audit Committee and Council at the earliest opportunity once the Accounts have been signed off by the District Auditor.
- 5.2. The statutory deadline for the formal publication of the audited 2014/15 Statement of Accounts is 30 September 2015.

6. Statement of Accounts

- 6.1. The purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members of the Authority, employees and other interested parties clear information about the Authority's finances. The format of the Statement of Accounts is governed by the "Code", to make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities possible. The Code requires:
 - All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.
 - Interpretation and explanation of the Statement of Accounts to be provided.
 - The Statement of Accounts and supporting notes to be written in plain language.
- 6.2. All of the above has been taken into consideration when producing the authority's own Statement of Accounts. These accounts comprise various sections and statements, these are all briefly explained below:
 - **An Explanatory Foreword** – this provides information on the format of this Statement of Accounts as well as a review of the financial position of the Council for the financial year 2014/15.
 - **The Statement of Responsibilities** – this details the responsibilities of the authority and the Section 151 Officer concerning the authority's financial affairs and the actual Statement of Accounts.

- **The Audit Opinion and Certificate** – this is provided by the External Auditor following the completion of the annual audit, this document is therefore draft pending the outcome of the audit.

- **The Core Financial Statements**, which comprises:
 - § **The Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority which is analysed into ‘usable reserves’ and other reserves.

 - § **The Comprehensive Income and Expenditure Statement** – this is fundamental to the understanding of a Council’s activities. It brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Council, before allowing for the concessions provided by statute to raise council tax according to different rules and for the ability to divert particular expenditure to be met from capital resources. The 2014/15 Income and Expenditure Statement reports a deficit for the year of £128.831m, however, this is not cash as this takes into account a number of significant theoretical amounts for matters relating to pensions and use of assets. The actual movement on the General Fund Balance was a reduction of £4.831m which was due to the re-categorisation of delegated school balances of £5.5m from General Fund to Earmarked Reserves.

 - § **The Balance Sheet** – this is fundamental to the understanding of the authority’s financial position as at the 31 March 2015. It shows the balances and reserves at the authority’s disposal, long term liabilities and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. As can be seen from the balance sheet the authority’s total equity amounts to £391.059m, a reduction of £128.831m which is analysed in the Movement in Reserves Statement. This is primarily due to the increase in the pension liability and also reductions in asset values as a result of Academy transfers and reductions in value of land and buildings held. However the equity value in the balance sheet does demonstrate that the authority’s assets exceed liabilities and still represents a very healthy financial position.

 - § **The Cash Flow Statement** – this consolidated statement summarises the authority’s inflows and outflows of cash and cash equivalents arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash.

- **The Notes to the Core Financial Statements**, which provides supporting and explanatory information on the Core Financial Statements and includes the Council’s accounting policies.

- **The Group Accounts** – these are prepared to account for the Council’s share in IP&E (Group) Limited, Shropshire Towns & Rural Housing and West Mercia Energy.

- **The Pension Fund Accounts** – the Shropshire County Pension Fund is administered by this Authority, however, the pension fund has to be completely separate from the Authority’s own finances. This statement and supporting notes are an extract from the pension fund annual report and summarises the financial position of the Shropshire County

Pension Fund, including all income and expenditure for 2014/15 and assets and liabilities as at 31 March 2015.

- **The Housing Revenue Account** – the authority is required to account separately for local authority housing provision, as defined in the Local Government and Housing Act 1989 as amended. The account details the income and expenditure relating to the local authority housing provision and details of the movement on the Housing Revenue Account Balance for the year.
- **The Collection Fund Account** - this account shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates how these have been distributed to preceptors and the General Fund.

6.3 The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting 2014/15, published by CIPFA (the Code). For 2014/15 the following changes have been made within the Code to reflect changes in accounting practices and accounting standards. The key changes affecting the Council's statement of accounts are detailed below:

- Group accounts – new accounting standards have been released in relation to the basis of consolidation entities within an authority's group accounts. This has led to a re-evaluation of the definitions of control and classification of entities to be consolidated within the group boundary.
- Accounting for local authority maintained schools – new guidance has been released from CIPFA on the accounting treatment of local authority maintained schools, and consideration of the categories of schools assets in terms of whether the assets should be held on or off the Council's balance sheet.

Analytical Review

7.1 An analytical review has been carried out on each element of the Draft Statement of Accounts, this is a final check that provides assurance that the Statement of Accounts is free of material errors and misstatements. The analytical review focuses on figures within the Statement of Accounts that have changed materially when compared with the previous years accounts. For 2014/15 the materiality threshold (i.e. the level of change between 2013/14 and 2014/15) used was 10% or £8m, which is used to ensure that all questions that the external auditors are likely to raise have been reviewed and explanations are readily available. Details of the significant changes between the two years are shown in Appendix 2.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p>
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<p>CIPFA's Code of Practice (Code) on Local Authority Accounting</p>
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<p>CIPFA/SOLACE guidance on the Annual Governance Statement</p>

<p>Revenue and Capital Budget 2014/15</p>

Cabinet Member (Portfolio Holder)

Brian Williams, Chair of Audit Committee

Local Member

All

Appendices

1. Draft Statement of Accounts 2014/15 (Unaudited)
2. Analytical Review of Statement of Accounts