

**Report of the Deputy Chief Executive**

**Report to Corporate Governance and Audit Committee**

**Date: 9<sup>th</sup> July**

**Subject: The Statement of Accounts 2014/15**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

- 1 The Responsible Financial Officer has reviewed the 2014/15 accounts and certified that they are a true and fair view of the Council's financial position.
- 2 The accounts have been drawn up based on proper accounting practice as required by the Accounts and Audit Regulations 2011.
- 3 Subject to Committee agreement the accounts will be available for public inspection for twenty working days commencing 20<sup>th</sup> July 2015.
- 4 Despite the continuing financial pressures impacting on local government, the Council continues to manage its financial affairs in an effective manner.

**Recommendations**

- 5 Members are asked to:
  - Note the 2014/15 unaudited Statement of Accounts as certified by the Deputy Chief Executive, who is the council's Responsible Financial Officer.
  - Agree to release the accounts for public inspection.

**1 Purpose of this report**

- 1.1 The purpose of this report is to present to the Committee the 2014/15 Statement of Accounts prior to them being made available for public inspection. The Statement of Accounts is included with the agenda as a separate document for Committee members and will be published on the Council's internet site.

## **2 Background information**

- 2.1 Whilst it is no longer a legal requirement for members to formally approve these unaudited accounts before the 30<sup>th</sup> June, members of this committee requested that that they receive the accounts prior to them being made available for public inspection.

## **3 Main issues**

### **3.1 Main Financial Issues**

- 3.1.1 The following is a summary of the main financial issues raised by the 2014/15 unaudited accounts:

- The final outturn position for the year was a £3.7m use of the General Fund Reserve, which was £0.7 m below the figure budgeted for. This improved position was mainly generated by a number of one-off corporate savings items, partially offset by transfers to earmarked reserves and a small net overspend in directorates.
- The Housing Revenue Account outturn position resulted in a contribution of £18.1m to its revenue reserves.
- After taking into account a prior year accounting policy change (please see paragraph 3.3.1 below), the Council's net worth during the year has increased by £4.1m, and as at 31<sup>st</sup> March 2015 stands at £805.3m. Within this relatively small increase in the net worth, there was an increase in the net pensions liability of £191m. However this was more than offset by an increase of £210m in the value of fixed assets.
- The council's level of usable reserves increased by £63m to £389m. The majority of the increase was in ringfenced reserves, with usable capital reserves increasing by £32m and ringfenced revenue reserves (primarily relating to the HRA and to schools) increasing by £27m. The level of unringfenced revenue reserves rose by £4m.

A full analysis of these and other financial issues is included in the Foreword of the Deputy Chief Executive which can be found at the front of the accounts.

### **3.2 Responsibilities and Timeframes for Approving the Statement of Accounts**

- 3.2.1 The Accounts and Audit Regulations 2011 determine the roles and responsibilities for approving local government accounts. Under these regulations it is the responsibility of the Responsible Financial Officer to certify that the accounts are a true and fair view of the Council's financial position before the 30<sup>th</sup> June. The accounts must then be available for public inspection for twenty working days before this Committee is charged with approving and publishing the final audited accounts before the 30<sup>th</sup> September.

- 3.2.2 To enable members to discharge their responsibilities for approving the accounts the following assurances can, or will, be given within the approval process:

- On the 25<sup>th</sup> June the Deputy Chief Executive in his capacity as the Responsible Financial Officer reviewed the 2014/15 accounts and certified that they are a true and fair view of the Council's financial position.
- The accounts have been drawn up based on proper accounting practice as required by the Accounts and Audit Regulations 2011.

- KPMG's interim audit found that the council's organisational and IT control environment and the controls over key financial systems were generally sound. The audit also confirmed that the process for producing the financial statements was adequate.
- KPMG will undertake a detailed audit of the accounts in July and August to ascertain that, in their view, the accounts show a true and fair of the Council's financial position. They will report any significant issues back to this Committee in September.
- Stakeholders have twenty working days while the accounts are on deposit to look through the accounts and supporting documentation and raise any questions with the auditors or to object to the accounts. If considered significant the auditors would pursue the complaint or questions and determine if the accounts need amendment. Any significant issues raised in this way would be reported back to this Committee in September. For 2014/15, subject to Committee approval, public inspection will commence on the 20<sup>th</sup> July.
- Members have the opportunity to question officers on any aspect of the accounts at this Committee or in the September Committee prior to approving the accounts.

### **3.3 Accounting Issues Impacting on the Financial statements**

3.3.1 A change in the accounting Code of Practice for local authorities in respect of accounting for schools has meant that the council's balance sheet as at 1<sup>st</sup> April 2013 (the opening position for this set of accounts) has been restated to include an additional £235m of school buildings, which are deemed to be assets of the schools' governing bodies rather than of the trusts or religious bodies which hold the legal title to these assets. In addition, the in-year figures for 2013/14 have been restated to re-recognise a further £73m of trust school assets which had previously been treated as disposals during 2013/14.

### **3.4 External Audit Issues**

3.4.1 In September 2014, KPMG reported back to this Committee its main audit findings in respect of the 2013/14 accounts and any recommendations or risks for the following year's accounts. There were no recommendations relating to the production of the accounts arising from the 2013/14 audit. In their annual audit plan which was presented to the committee in January 2015, KPMG identified two key areas of audit risk for the 2014/15 accounts, the valuation of fixed assets and the valuation of pensions liabilities. Their interim audit report, which is presented at this committee, raises no additional matters in respect of these two issues.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 This is a factual report from the Deputy Chief Executive on the Council's 2014/15 financial accounts and consequently no public, ward member or councillor consultation or engagement has been sought.

## **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 There are no issues regarding equality, diversity, cohesion and integration.

## **4.3 Council policies and City Priorities**

4.3.1 The Statement of Accounts is an audited publication which provides all stakeholders with the confidence that public money has been properly accounted for and that the financial standing of the Council is on a secure basis.

4.3.2 As required by the Accounts and Audit Regulations 2011, the accounts are to be made available for public inspection for twenty working days. Local electors and taxpayers have the right to look through the accounts and supporting documentation as well as the right to object to the accounts and question the auditors.

## **4.4 Resources and value for money**

4.4.1 This is a factual report of the Deputy Chief Executive on the financial accounts of the Council for 2014/15. There are no additional financial or value for money implications.

## **4.5 Legal Implications, Access to Information and Call In**

4.5.1 The accounts are required to be certified as a true and fair view of the Council's financial position by the Responsible Financial Officer before the end of June. This report does not require a key decision and is therefore not subject to call in.

## **4.6 Risk Management**

4.6.1 The Council's external auditors provide a risk assessment on the accounts process as part of their interim audit as reported to this Committee. For 2014/15 the external auditors have not identified any significant risks which would require them to undertake any additional audit work on the financial statements.

## **5 Conclusions**

5.1 Despite the continuing financial pressures impacting on local government, the Council continues to manage its financial affairs in an effective manner and has maintained the level of general reserves at a prudent level. The Council's net worth has slightly increased, reflecting an increase in the value of its fixed assets, which was largely offset by a rise in the pensions deficit recognised in the accounts. Overall the Council continues to balance its finances and has a proven process for managing future budget pressures.

5.2 The Responsible Financial officer has certified that the accounts are a true and fair view of the council's financial position.

## **6 Recommendations**

6.1 Members are asked to:

- Note the 2014/15 unaudited Statement of Accounts as certified by the Responsible Financial Officer.
- Agree to release the accounts for public inspection.

## **7 Background documents<sup>1</sup>**

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website,

7.1 None

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unless they contain confidential or exempt information. The list of background documents does not include published works.