

Report to Audit Committee

Subject: Statement of Accounts 2014/15
Date: 22 September 2015
Author: Corporate Director (Chief Financial Officer)

1. Purpose of the Report

To seek approval of the Council's Statement of Accounts for 2014/15.

2. Background

2.1 Overview

The Accounts and Audit (England) Regulations require the responsible financial officer to sign and date the Statement of Accounts by 30 June, and to certify that the Statement presents a true and fair view of the financial position of the authority. Accordingly, the Corporate Director (Chief Financial Officer) signed and certified the Council's Statement of Accounts on 30 June 2015.

The regulations further require that by 30 September 2015 the Statement of Accounts must have been considered and approved by the relevant committee, and at Gedling, this is the Audit Committee. The Statement of Accounts must be re-signed by the Chief Financial Officer prior to being signed and dated by the chairman of the Audit Committee.

The Statement of Accounts for 2014/15 has now been audited and is attached at Appendix 1. The accounts should be considered giving due regard to any comments made by the auditor in the Annual Governance Report, which is the previous item on this agenda.

2.2 The Economy

2014/15 continued the challenging financial environment of recent years, with investment returns remaining low and risk levels heightened. The original expectation that bank rate would start to rise in Q1 of 2015 receded during the year and by 31 March 2015 a first rise around Q3 of 2016 was anticipated. Bank rate ended the year unchanged at 0.5%. Economic growth in the UK remained strong during the year, and prospects for 2015 and beyond are good. CPI inflation is expected to remain low for some time.

The Government maintained its tight fiscal policy stance, with the aim of eradicating the budget deficit, and generating a surplus in 2019/20.

The Council's robust financial position, combined with the Medium Term Financial Plan and projections for reserves and balances, means that it is well placed to deal with ongoing uncertainty in the UK and global economies. The Council will continue to monitor the external environment and develop and refine strategies to counter threats from the wider economy. Ongoing pressures on costs, income streams and funding have necessitated critical reviews of services during the 2015/16 budget process, and further significant expenditure reductions are planned over the next few years.

2.3 Accounting Practice Changes

There were no major changes to the Code of Practice on Local Authority Accounting in 2014/15, however there were a number of minor amendments including the ongoing changes associated with accounting for the Business Rates Retention Scheme.

3. Proposal

3.1 General Fund Capital and Revenue Outturn 2014/15

General Fund outturn figures for 2014/15 were reported to Cabinet on 25 June 2015. Net expenditure totalled £12,905,043, representing an underspending of £182,457 or 1.39% when compared with the current approved estimate for 2014/15, as detailed below. Revenue budget carry forward requests of £97,800 were approved.

Portfolio	Current Estimate 2014/15 £	Actual Exp 2014/15 £	Variance £
Community Development	1,656,500	1,549,950	(106,550)
Health & Housing	1,079,100	981,705	(97,395)
Public Protection & Communication	1,497,600	1,460,720	(36,880)
Environment	4,762,900	4,509,958	(252,942)
Leisure & Development	1,927,900	2,126,938	199,038
Finance & Performance	2,163,500	2,275,772	112,272
Total	13,087,500	12,905,043	(182,457)

The General Fund Balance at 31 March 2015 was £6.575m. This level of balances remains above the minimum required in the Medium Term Financial Plan however it should be noted that of the balance of £6.575m, £97.8k will be required to fund revenue carry forwards and £801k will be required for the Council's share of the Business Rates Collection Fund deficit.

Total capital investment during 2014/15 totalled £2.636m and this was

financed by the use of capital receipts, grants and contributions, and General Fund revenue contributions. The council's total external debt at 31 March 2015 was £9.812m.

3.2 Major Variations 2014/15

Full details of budget variances were reported to members on 25 June 2015, however items in excess of £50k are repeated below for information.

- Savings of £51.5k were made on rent allowances. This was due to significant volatility in both the level of eligible overpayments and the associated loss of subsidy, and the profile of some types of overpayment recoveries.
- Net savings of £98k were made against the original estimate for utilities. Savings made at leisure centres were partly offset by increased usage at the civic centre.
- Savings of £384k against the original estimate were made in respect of employee expenses, as a result of positive vacancy management. These were partly offset by additional staffing requirements for hackney carriage licencing, planning and waste services. The underspending against the final approved estimated was £53k, in addition to a vacancy provision target of £90k.
- Leisure centre fees and charges were lower than the original estimate by £120k due to a number of factors including falls in the number of users at swimming sessions and in theatre bookings, together with a promotion offering reduced joining fees for the DNA leisure membership scheme.
- A knowledge test for taxi drivers was introduced in July 2014 and whilst it was anticipated that this would reduce demand for licencing in the borough, this was not the case and net income was higher than the original estimate by £119,300.

3.3 Balance Sheet Variances

The balance sheet shows a movement in net worth of £9.423m, from negative £2.917m at 31 March 2014 to negative £12.340m at 31 March 2015. Of this, £11.538m is due to technical actuarial valuation requirements of the Pension Fund under IAS 19, Retirement Benefits, partially offset by a net increase in long term asset values of £1.460m.

The increase of £11.538m in the net pension deficit is due to the specific technical calculations required under IAS 19 which measure the net present value of future assets and liabilities. This technical valuation bears no resemblance to the cash position on the fund, which remains healthy.

During 2014/15 there were two significant revaluation losses due to falls in market value. The value of car park assets decreased by £0.954m due to the

introduction of a new parking order which reduced income yields, and the value of an investment property development land asset decreased by £1.260m following the recognition of current market conditions specific to the plot.

Due to the requirements of local authority accounting, changes in pension fund valuations and asset valuations do not have an impact at taxpayer level.

Earmarked reserves increased by £1.006m during 2014/15. A transformation reserve of £189,600 was established to provide for future change management costs, and an additional contribution of £189,900 was made to the Risk Management Reserve to manage future risks in the delivery of the budget reduction programme. An Economic Development Reserve of £274,000 was established to provide for committed and future economic development projects.

3.4 Audit of Accounts Process

The Accounts are scrutinised by the council's external auditors, KPMG, with whom the Chief Financial Officer discusses progress regularly.

KPMG requires each authority to provide a letter of representation, providing certain assurances about the completeness and accuracy of its Statement of Accounts. A copy of this letter is attached at appendix 2.

The procedures that KPMG expects authorities to follow in providing a representation letter are that it should be dated on or near the date the auditors sign the audit opinion, and that it is signed by the person with responsibility for the financial statements after consultation with the monitoring officer on legal matters, and other matters as appropriate. It must be formally acknowledged by an appropriate committee of the Council, in Gedling's case the Audit Committee.

4. Resource Implications

There are no specific resource implications arising from this report.

5. Recommendation

Members are recommended to:

1. Approve the Statement of Accounts for 2014/15 (appendix 1).
2. Note the letter of representation (appendix 2).

6. Appendices

1. Statement of Accounts 2014/15
2. Letter of Representation