

**Meeting:**           **Audit Committee/Statement of  
Accounts Committee**

**Agenda Item: 3**

**Portfolio Area:**   Resources

**Date:**             **23 September 2015**

## **2014/15 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT**

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### **1    PURPOSE**

- 1.1 To present the External Auditor's Annual Report for consideration and approval and the audited 2014/15 Financial Report including the Statement of Accounts (SOA).

### **2    RECOMMENDATIONS**

- 2.1 That the Annual Report to those charged with Governance for 2014/15 be approved (Appendix A).
- 2.2 That the Council's Letter of Representation be approved (Appendix B).
- 2.3 That the Financial Report including the Statement of Accounts 2014/15 be approved (Appendix C).

### **3    BACKGROUND**

- 3.1 This report is presented to the Audit Committee in its capacity as the body charged with Governance. The Auditor's report (Appendix A) has been produced by the Council's External Auditors Grant Thornton. At the time the Auditor's report was written there were no outstanding items in relation to the Financial Report or Statement of Accounts.
- 3.2 As a result of the changes to the Accounts and Audit regulations this committee no longer receives and approves a draft set of accounts by the 30 June. The revised requirement under these regulations is for the Audit Committee and Council, (or a Committee delegated this function by Council), to consider and approve the accounts before 30th September after they have been audited.
- 3.3 The 2014/15 fourth quarter outturn position for the General Fund and the Housing Revenue Account was presented to the Executive on 12 July 2015. That report showed that the General Fund had a net under spend of £968,844 of which £281,180 related to carry forward requests. The HRA had an increase in surplus of £49,217 of which £227,990 related to carry forwards (a reduction in surplus of £178,773 after

carry forward requests). Following the external audit the outturn positions for the General Fund and HRA remains unchanged.

### 3.4 Changes affecting the 2014/15 Statement of Accounts

3.4.1 The SOA has to be compiled in accordance with current International Financial Accounting Standards, statutory requirements, and CIPFA published guidance. The standards and guidance may change year on year however, 2014/15 saw no changes to this year's statement.

3.5 Members were offered training prior to this committee to aid their understanding of the Statement of Accounts.

3.6 The Council is required to send to the Council's External Auditors a Letter of Representation (Appendix B).

## 4 REASONS FOR RECOMMENDED COURSE OF ACTIONS AND OTHER OPTIONS

### 4.1 Statement of Accounts

4.1.1 The 2014/15 Financial Report including the Statement of Accounts is Appendix C to this report.

### 4.2 Balance Sheet

4.2.1 The Council's Balance Sheet as at the 31 March 2015 showed total reserves of £405.1 Million, an increase of £45.4 Million over the Balance Sheet as at 31 March 2014. However of this increase only £16.6 Million relates to usable or cash reserves, The increase in the Council's net worth can be assessed by reviewing the Useable and Non Useable Reserves.

#### 4.2.2 Useable Reserves

4.2.3 Useable reserves are cash reserves that are available for the Council to spend on revenue and/or capital. The Council's useable reserves increased by £16.6 Million to £48.315 Million as at 31 March 2015. The major increase was seen in reserves available to fund capital expenditure which increased by £13.853 Million due to:

- Council's retained share of Right to Buy receipts increasing by £6.936 Million.
- The Major Repairs Reserve which is available to fund HRA capital schemes increased by £7.758 million due to the statutory depreciation charge to the HRA made in year (£10.8 million) being higher than the amount needed in year to finance the HRA capital programme. The balance of this reserve is then used to finance the planned HRA capital strategy in future years.
- There was also an increase in revenue reserves and the surplus on the HRA increased to £2.136 Million, increasing the HRA cash balances.

4.2.4 Table one below details the movement in useable reserves.

<b>Table 1 Useable Reserves</b>	<b>Balance at 31 March 2014</b>	<b>Increase/ (Decrease) in Year</b>	<b>Balance at 31 March 2015</b>
	£	£	£
<b>Revenue Reserves:</b>			
General Fund Balance	4,816,814	1,273,506	6,090,320
Allocated General Fund Reserves	2,254,273	181,449	2,435,721
Housing Revenue Account	9,374,739	4,328,808	13,703,547
<b>Total Revenue Reserves</b>	<b>16,445,826</b>	<b>5,783,762</b>	<b>22,229,588</b>
<b>Capital Reserves:</b>			
Major repairs reserve	4,607,665	7,758,135	12,365,800
Capital Receipts Reserve	5,915,101	7,198,668	13,113,768
Government Capital Grants Unapplied	1,708,836	(1,102,926)	605,910
<b>Total Capital Reserves</b>	<b>12,231,602</b>	<b>13,853,876</b>	<b>26,085,478</b>
<b>TOTAL REVENUE AND CAPITAL RESERVES</b>	<b>28,677,428</b>	<b>19,637,639</b>	<b>48,315,066</b>

#### 4.2.5 Un-useable Reserves

4.2.6 Non useable or un-useable reserves are non cash reserves and include (but not exhaustive) the value of:

- Gains and losses from changes to the value of the Council's assets shown in the **Revaluation Reserve**.
- Timing differences between the purchase and use/or consumption of non-current assets (formerly known as fixed assets) shown in the **Capital Adjustment Account**.
- The calculated liability owed by the council at the Balance Sheet date for staff pensions shown in the **Pension Reserve**.
- The amount of money that would have to be paid to staff if all holiday entitlement due, but not taken was paid at the Balance Sheet date shown in the **Accumulated Absences Account**.
- The **Collection Fund Adjustment Account** which holds the timing difference between the recognition of Council Tax and Non Domestic Rates (NDR) income in the Income and Expenditure Statement as it falls due from council tax payers and business rate payers, compare with the statutory arrangement for paying across amounts to the General Fund from the Collection Fund (Council Tax and NDR), to match those calculated and approved at budget setting for that financial year.

4.2.7 The Council's un-useable reserves increased by £25.756Million to £356.758Million as at 31 March 2015. Included within un-useable reserves is the Council's **pension**

**reserve** (deficit). The pension deficit increased by £4.851Million compared to 31 March 2014.

4.2.8 The **Capital Adjustment Account** (CAA) has increased by £22.233Million largely due to the in year net revaluation gain of £21.725Million on Council House stock. As this gain reversed prior year losses charged to the HRA the gain is taken to the CAA and not the Revaluation Reserve in accordance with accounting policies.

4.2.9 A summary of the movement in unusable reserves is shown in Table two below.

<b>Table 2 Un-usable reserves</b>	<b>Balance at 31 March 2014 £</b>	<b>Change in year in Year £</b>	<b>Balance at 31 March 2015 £</b>
<b>Un-usable Reserves:</b>			
Revaluation Reserve	28,031,026	7,461,445	35,492,471
Capital Adjustment Account	352,020,427	22,233,386	374,253,813
Deferred capital receipt reserve	213,675	(22,306)	191,368
Pensions Reserve	(48,762,000)	(4,851,000)	(53,613,000)
Collection Fund Adjustment Account	(68,921)	894,802	825,881
Accumulated Absences Account	(433,044)	40,158	(392,887)
<b>Total Un-usable Reserves:</b>	<b>331,001,163</b>	<b>25,756,485</b>	<b>356,757,647</b>

### 4.3 External Auditors Conclusions

4.3.1 As the Council's appointed Auditor, Grant Thornton is required to review and report on the Council's financial statements and provide a value for money conclusion which is shown in Appendix A. The External Auditor's identified one indicator as amber as part of the value for money conclusions, to which a management response has been made on page 19 of the Grant Thornton report.

4.3.2 At the time the time of writing the report, no objections were received by electors to the 2014/15 accounts.

4.3.3 No requests were received for any further details on the Council's financial records.

4.3.4 There was one outstanding item at the time of writing the report. This was in relation to a confirmation request to the Bank of Scotland for bank and investment balances.

4.3.5 There were no material misstatements.

4.2.4 There were no unadjusted misstatements.

4.2.5 As a result of the external audit there are no recommendations from Grant Thornton in relation to the Statement of Accounts. There may be recommendations as a result of the Finance Resilience Report to be presented to the November Audit Committee.

## 5 IMPLICATIONS

### 5.1 Financial Implications

The updated Accounts for 2014/15 are financial in nature. As this document is finance related, the financial implications are contained therein.

## 5.2 Legal Implications

This report is presented in accordance with the Accounts and Audit Regulations 2011.

## BACKGROUND PAPERS

4th Quarter General Fund and HRA report 14 July 2015 Executive

## APPENDICES

Appendix A - Annual Report to those Charged with Governance

Appendix B - Letter of Representation

Appendix C - Updated Statement of Accounts 2014/15