

REPORT FOR: **Governance, Audit, Risk
Management and Standards
Committee (GARMS)**

Date: 22 July 2015

Subject: **INFORMATION REPORT**
Draft Statement of Accounts 2014-15

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Enclosures: Appendix 1: Draft Statement of Accounts 2014-15
Appendix 2: Draft Pension Fund Annual Report 2014-15

Section 1 – Summary and Recommendations

This report sets out the draft Statement of Accounts for 2014-15.

Recommendations:

The Committee is asked to consider and note the draft Statement of Accounts and Pension Fund Annual Report for 2014-15

Reason:

To keep the Committee informed of the planned work.

Section 2 – Report

Background

1. The Accounts and Audit (England) Regulations 2011, require authorities to prepare Statement of Accounts in accordance with proper practices. These require that the Accounts are prepared by 30 June and approved and published by 30 September after the end of the financial year.
2. The 2011 Regulations require the audited accounts to be submitted to the 'relevant body' for approval by 30th September. At Harrow, the relevant body nominated to receive and approve the accounts is the GARMS Committee. Whilst there is no legal requirement to submit draft accounts for consideration by the Committee, the Council does so to give the Committee the opportunity to review the draft Accounts in detail before being asked to approve the audited Statement of Accounts in September 2015.
3. The reporting of the Statement of Accounts is a major part of the strategic principle of providing proper management and stewardship of all the Council's Resources. The Accounts have been prepared in accordance with proper accounting practices and relevant statutory requirements as set out in the following:-
 - a. The Code of Practice on Local Authority Accounting in the United Kingdom 2014-15;
 - b. All relevant International Financial Reporting Standards (IFRS); and
 - c. The Service Reporting Code of Practice (SERCOP).

Current Position

4. The Council's accounts for 2014-15 are now closed subject to any audit adjustments. We have met the statutory requirement of providing a comprehensive set of accounts along with completed working papers to the Auditor on 26th June 2015.
5. The detailed annual audit commenced on 29th June with completion expected during August. Members are reminded that a GARMS Committee meeting is scheduled for the 10th of September 2015 to consider and approve the audited Statement of Accounts. The accounts are due to be signed off by the external auditor by the statutory deadline of end of September. The Committee will receive a report from the external auditor in September at the conclusion of the annual audit.
6. Public Inspection of the accounts will take place for four weeks during July 2015.

Accounts Summary

7. The **Explanatory Foreword** includes the performance of the Council and provides outlook for the future which is summarised below:-
 - a. **Revenue:** the Council achieved a surplus of £5.318m which represented 3% of the approved budget (£174.426m). The underspend has been transferred to specific reserves to manage future risks;
 - b. **Capital:** Actual spend was £62m which was mainly funded by Grants (44%), Revenue & Capital Receipts (12%) and Internal Borrowing (44%). The slippage of £54m was due to upfront grant funding on the schools expansion programme. This will be carried forward into 2015-16; and
 - c. **Outlook:** The Medium Term Financial Strategy has identified the need to make savings of £83m over the coming four years. To meet this target, the council is reengineering its future business and organisational arrangements.
8. The **Comprehensive Income and Expenditure Account** show the true economic cost of providing Council services. The surplus reported for the year is £36m. This is mainly due to reversal of prior year's impairments on Council Dwellings (£68m) and a net current year revaluation surplus on other land and buildings (£22m). This is offset by an increase in pension liabilities (£48m) due to changes in financial assumptions where the main contributing factor was a drop in the rate used to discount long term pension liabilities. This discount rate is linked to the return available on high quality corporate bonds.
9. However, under the statutory regulations some of these costs (e.g. impairments, IAS 19 costs, etc.) are not taken into account when setting the Council Tax and Dwelling Rents. These are reversed in the **Movement in Reserves Statement** which summarises the Council's total usable and unusable reserves. The usable reserves balance has increased by £11m mainly from monies set aside for future investment in Council Dwellings, increase in capital receipts from sale of Council houses and unspent capital grants from slippage in the capital programme.
10. The **Balance Sheet** sets out the financial position of the Council as at 31st March 2015. The overall increase in net assets of £36m resulted mainly from an increase in the value of Council Dwellings and the Property Portfolio, offset by an increase in pension liabilities and retirement of two schools transferring to academy status (£15m). There was also an improvement in the liquidity ratio from 1.3 in 2013-14 to 1.5 in 2014-15 which was mainly due to repayment of short term borrowing.
11. The **Cash Flow** statement shows how the Council generates and uses cash.
12. The **Housing Revenue Account (HRA)** shows the true economic cost of providing housing services. The surplus reported for the year is £64m. This is due mainly to reversal of prior year impairments on Council Dwellings. After reversing costs that are not taken into account in setting Dwelling Rents the balance on the HRA has increased by £1m to £4.5m.

13. The **Collection Fund** statement shows a net deficit of £0.5m. Council Tax generated a surplus of £4m which was offset by £4.5m deficit on the Business Rates. The deficit on the Business Rates mainly results from the increase in provision on appeals which is based on the latest data available from the valuation office.

14. The net assets of **Pension Fund** at year end are £675m. This has increased by £84m from previous year due mainly to increases in the market value of investments.

Financial Implications

15. There are no direct financial implications arising from this report.

Risk Management Implications

16. There are no risk implications.

Equalities Implications

17. There are no equalities implications.

Corporate Priorities

18. The Statement of Accounts provides assurance that the Council has managed and delivered its finances in accordance with its approved plans and budget.

Section 3 – Statutory Officer Clearance

Name: Dawn Calvert



Chief Financial Officer

Date:

Section 4 - Contact Details and Background Papers

Contact: Technical Finance and Accountancy (Tel: 0208 736 6771 – internal 6771)

Background Papers: None