

REPORT FOR:

Governance, Audit, Risk Management and Standards Committee (GARMS)

Date:

10 September 2015

Subject:

Statement of Accounts 2014-15

Responsible Officer:

Dawn Calvert, Director of Finance

Exempt:

No

Enclosures:

Appendix 1: Statement of Accounts 2014-15
Appendix 2: Pension Fund Annual Report 2014-15
Appendix 3: Audit Report to GARMS on the audit of
the year ended 31 March 2015
Appendix 4: Audit Report to GARMS on the audit of
the year ended 31 March 2015
Pension Fund Audit
Appendix 5: Summary Statement of Accounts
2014-15

Section 1 – Summary and Recommendations

This report presents the audited Statement of Accounts for 2014-15.

Recommendations:

1. Consider the reports of the External Auditor on matters arising from the audit of the Statement of Accounts 2014-15 and the Pension Fund Annual Report 2014-15;
2. Approve the audited Statement of Accounts 2014-15 and note the Pension Fund Annual Report 2014-15 and authorise the signing thereof by the Chair;
3. Authorise the Director of Finance, following consultation with the Chair, to make any final amendments to the Accounts and Pension Fund Annual Report arising from the external audit prior to the signing of the accounts by the auditor; and
4. Note the Summary Statement of Accounts 2014-15.

Reason:

Under the Accounts and Audit (England) Regulations 2011 the Statement of Accounts must be approved by a committee of members. Once approval has been given, the Chair of the committee is required to sign and date the Statement of Accounts.

Section 2 – Report

Background

1. The Accounts and Audit (England) Regulations 2011, require authorities to prepare Statement of Accounts in accordance with proper practices. The Statement of Accounts is required to be prepared by 30 June and approved and published by 30 September after the end of the financial year to which they relate.
2. The publication of the Statement of Accounts set out the Council's financial performance for the year of account. They provide public information on the Council's financial performance, and are a substantial part of the process by which the Council is held accountable to the public for the proper management and stewardship of the Council's Resources.
3. The Regulations require the audited Statement of Accounts to be submitted to the 'relevant body' for approval by 30 September. At Harrow, the relevant body nominated to receive and approve the accounts is the GARMS committee.
4. The Pension Fund Annual Report is included within the appendices to this report and will be subject to approval of the Pension Fund Committee.
5. In accordance with International Standard on Auditing (ISA) 260, the external auditor (Deloitte LLP) prepares detailed reports on matters

arising from the audit of the Statement of Accounts and Pension Fund Annual Report. This report is required to be considered by “those charged with governance” [GARMS] before the external auditor can sign the accounts.

6. The Annual Governance Statement is included in the Statement of Accounts. A separate report on the agenda for this meeting recommends its approval in its own right.

Accounts Summary

7. The **Explanatory Foreword** includes the performance of the Council and provides outlook for the future. The revenue surplus of £5.381m and the capital spend of £62m reported in the draft version of the accounts provided at the GARMS meeting in July remain unchanged.
8. The **Comprehensive Income and Expenditure Account (CIES)** shows the true economic cost of providing Council services. The surplus of £36m reported in section 4.2 of the draft accounts at July GARMS remains unchanged.
9. Under statutory regulations some of the costs disclosed in the CIES (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 increase of £11m in usable reserves balance reported in section 4.1 of the draft accounts at July GARMS remains unchanged.
10. The CIES surplus is £25m higher than the increase in usable reserves due to reversal of prior year’s impairments on Council Dwellings (£61m) 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 a change in financial assumptions impacting on the net present value, and a loss on disposal of fixed assets (£12.5m).
11. The loss on disposal of fixed assets disclosed in note 5.7 to the accounts is substantially different from the £0.8m gain disclosed in 2013-14 primarily because of 2 schools that gained Academy status as explained in note 5.35.2.1. The loss in relation to the schools (£15.3m) was partially offset by gains from right-to-buy sales of council dwellings.
12. The **Balance Sheet** sets out the financial position of the Council as at 31st March 2015. The balances reported in section 4.3 of the draft accounts at July GARMS remain unchanged.
13. Property, Plant and Equipment has increased by £89m over 2013-14 due primarily to an increase in the market value of Council Dwellings.
14. Long Term Debtors has increased by £6m over 2013-14 due to additional loan monies being released to the West London Waste Authority (WLWA).

15. Short Term Borrowing decreased by £18m over 2013-14 due to monies held on behalf of the WLWA (£11.9m in 2013-14) being returned to it. WLWA now maintains its own bank account. In addition £6m in short term borrowing was repaid.
16. Short Term Debtors increased by £8.6m over 2013-14 due primarily to Public Health Grant of £3.4m and capital grants of £1.8m due but unpaid at year end.
17. Short Term Creditors decreased by £6m due to an accrual of housing benefit payments in 2013-14 that did not reoccur in 2014-15 due to timing differences around when housing benefit payments are made.
18. The **Cash Flow** statement shows how the Council generates and uses cash. There has been no amendment to the version reported at July GARMS in section 4.4 of the draft accounts. An additional note (5.42) has however been inserted for the restatement of the prior year figures (2013-14) in relation to the cash flow disclosure notes.
19. The **Housing Revenue Account (HRA)** shows the true economic cost of providing housing services. The surplus of £64m and the balance on the HRA of £4.5m reported to July GARMS in section 6 of the draft accounts remains unchanged. This surplus is due mainly to reversal of prior year impairments on Council Dwellings of £61m.
20. The **Collection Fund** statement shows a net deficit of £0.5m. This remains unchanged from section 7 of the draft accounts reported at July GARMS. Council Tax generated a surplus of £4m which was offset by £4.5m deficit on the Business Rates. The deficit on the Business Rates results mainly from the increase in provision on appeals which is based on the latest data available from the valuation office.
21. Net assets of **Pension Fund** at year end are £675m. This remains unchanged from section 9 of the draft accounts reported at July GARMS. This has increased by £84m from previous year due mainly to increases in the market value of investments.
22. The ISA260 report contains matters raised by the auditor, their recommendations on the issues, and the management response. Any further update on these items will be given verbally at the meeting.

Financial Implications

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

Risk Management Implications

24. There are no risk implications.

Equalities Implications

25. There are no equalities implications.

Corporate Priorities

26. 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



Finance Director

Date: 27 August 2015

Name: Caroline Eccles



Legal Services

Date: 2 September 2015

Section 4 - Contact Details and Background Papers

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

Background Papers: None