

Audit and Standards Committee

9th September 2015

Statement of Accounts 2014/15

Recommendation

The Committee is asked to consider the 2014/15 Statement of Accounts and recommend them to Council for approval.

1.0 Purpose of the Report

1.1 This report presents the Statement of Accounts for 2014/15.

1.2 The Statement of Accounts for Warwickshire County Council comprises of:

- The statement of responsibilities for the accounts
- An explanatory introduction by the Head of Finance
- The core financial statements, comprising:
 - The movement in reserves statement
 - The comprehensive income and expenditure statement
 - The balance sheet as at 31 March 2015
 - The cash flow statement
- The statement of accounting policies
- The notes to the core financial statements
- The Fire-fighters Pension Fund Statement

1.3 A recommendation to Council of the Annual Governance Statement, which will form part of the County Council's 2014/15 Statement of Accounts when they are published, is sought as a separate report on today's agenda. The Warwickshire Pension Fund is a separate body and, as such, has its own statement of accounts. A report seeking a recommendation in respect of the 2014/15 Warwickshire Pension Fund Statement of Accounts is also elsewhere on today's agenda.

1.4 Elected members are not expected to be financial experts, but they are responsible for approving and issuing the Council's financial statements. In doing this they are playing a key role in ensuring accountability and value for money are demonstrated to the public. However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards (IFRS) and also the accounting and financing regulations of central government.

- 1.5 This covering report explains the key features of the primary statements and notes that make up the 2014/15 Statement of Accounts. The explanatory introduction provides further information on the key issues for the benefit of readers of the statements.
- 1.6 The Committee is asked to consider the 2014/15 Statement of Accounts attached at **Appendix A** and recommend them to Council for approval, highlighting any issues that they wish to bring to Council's attention. Following their approval by Council the Statement of Accounts will be published, in accordance with regulations, by the end of September.

2.0 Explanatory Foreword

- 2.1 The purpose of the explanatory foreword is to provide commentary on the financial statements. It includes an explanation of key events and their effect on the financial statements. The information in the explanatory foreword is consistent with budget information provided during the year and reconciles to the year-end financial position reported to Cabinet on 11 June 2015.

3.0 Core Financial Statements

3.1 Movement in reserves statement

Reserves represent the Council's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable. The level of usable reserves, the Council's spending plans and other sources of funding determine how much council tax needs to be raised. Unusable reserves derive from technical accounting adjustments and cannot be used to support spending. The movement in reserves statement analyses the changes in each of the authority's reserves between 2013/14 and 2014/15.

3.2 Comprehensive income and expenditure statement

The comprehensive income and expenditure statement reports on how the authority performed during the year and whether its operations resulted in a surplus or deficit. It is produced in a standard format and is made up of five broad sections:

- Cost of services: Presented in a standard format as set out by the 'service reporting code of practice for local authorities'. It includes service specific income and expenditure.
- Other operating income and expenditure: Includes the surplus or deficit from the sale of property, plant and equipment.
- Financing and investment income and expenditure: Includes interest payable and receivable and trading account income and expenditure.
- Taxation and general grant income and expenditure: Includes revenue from council tax, business rates and government revenue and capital grants.
- Other comprehensive income and expenditure: Is a catch-all for items which are not allowed to be accounted for elsewhere, such as

increases in the value of land and buildings and changes in the actuarial assessment of pensions assets/liabilities.

3.3 Balance Sheet

The balance sheet is a 'snapshot' of the authority's financial position at a point in time, showing what it owns and owes at 31 March 2015. It is divided into two halves that, as the name suggests, balance. These are assets less liabilities (the top half) and reserves (the bottom half).

3.4 Cash flow statement

The cash flow statement sets out our cash receipts and payments during the year, analysing them into operating, investing and financing activities. Cash-flows are related to income and expenditure but are not equivalent to them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the comprehensive income and expenditure statement when the transactions occurred, not when the cash was paid or received.

4.0 Accounting Policies and Notes to the Core Financial Statements

4.1 The accounting policies set out the accounting rules the authority has followed in compiling the financial statements. They are largely specified by International Financial Reporting Standards and the Local Authority Accounting Code of Practice. We have limited discretion to amend them. A change of accounting policy relating to the accounting treatment of local authority maintained schools was required by the Accounting Code of Practice this year. Our accounting policy for the implementation of this new requirement was approved by this Committee on 4 June 2015. The result was an addition of property, plant and equipment valued at £325 million to the assets in our Balance Sheet and a restatement of our Balance Sheets as at 31 March 2013 and 2014, as if the policy had always applied.

4.2 The notes to the financial statements are generally the least read part of any set of accounts. This is because they appear complicated and include a lot of technical terms. However, the additional disclosures include important information and provide the context for the figures in the core financial statements.

5.0 Fire-fighters Pension Fund Statement

5.1 It is unusual for an unfunded pension scheme (such as the fire-fighters scheme) to have a fund as it holds no assets that need to be ringfenced. We collect in the Fund contributions receivable from Warwickshire County Council (as the employer) and firefighters (employee) contributions and pay out any benefits due. The Fund is then balanced to nil at the end of each financial year by either paying over or receiving pension fund top-up grant from the government.

6.0 Audit Status

- 6.1 The attached 2014/15 Statement of Accounts has been audited and the Annual Governance Report from the external auditors, Grant Thornton is elsewhere on today's agenda.
- 6.2 The audit opinion is also included in that auditors report and will be signed by Grant Thornton's Engagement Partner on receipt of our letter of representation signed by the Head of Finance following approval of the accounts at Council on 24 September 2015. A letter of representation is provided in connection with the audit of the 2014/15 financial statements for the purpose of expressing our opinion to the best of our knowledge and belief (having made appropriate enquiries that the financial statements give a true and fair view.
- 6.3 The approved accounts will be published alongside the authority's Annual Governance Statement (elsewhere on the Agenda) together with the signed audit opinion by 30 September 2015 in line with statutory regulations.

7.0 Background Papers

None

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