

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Executive Director - Place (S151)

To: Governance and Audit Committee - 25 June 2015

(Author: Colin Wyatt - Senior Finance Analyst)

Subject: Pre Audit 2014/15 Financial Statements

Purpose: To present the pre-audit 2014/15 Financial Statements to the Committee for review and consideration, prior to the 30 June deadline for the formal approval of the Accounts by the Section 151 Officer, before audit.

Recommendations:

- 1) That as part of its governance role, the Committee considers the pre-audit 2014/15 financial statements and
- 2) That the Committee notes that the Section 151 Officer will make any necessary amendments prior to the formal approval of the statements for audit.

1.0 BACKGROUND

1.1 The Accounts and Audit regulations 2011 require that

- The Responsible Financial Officer signs the un-audited statement of accounts no later than 30 June each year; and
- The statement of accounts be considered and approved by a committee of the Council no later than 30 September each year.

To continue the Council's good practice, this report presents the pre-audit financial statements to the Committee to enable comments and challenge, and to highlight any key areas.

- 1.2 The Financial Statements' production process is now almost complete, and shown at Appendix A is the pre-audit version of the 2014/15 Statements (this includes the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, Cash Flow Statement and Balance Sheet as at 31 March 2015).
- 1.3 Whilst the attached Accounts are complete, checks to ensure that they fully comply with disclosure requirements will continue up the 30 June statutory deadline, when the Accounts are signed by the Section 151 Officer and then passed for Audit. Any significant changes identified between the sending out of this agenda and the meeting will be reported verbally to the Committee on the 25 June.
- 1.4 Overall, the disclosure requirements in the accounting Code of practice for this year are very similar to last year. However, a small number of significant items are brought to members' attention here;

Change in Accounting Policy

International Financial Reporting Standard (IFRS 11) – Joint Arrangements

Under new standards introduced into the Local Government code in 2014/15, the adoption of IFRS 11 has changed the way in which the Council is required to disclose its interests in Compass Point Business Services (CPBS).

The change represents a move from the simpler equity method of consolidation and the preparation of group accounts to one of joint operation. This means that the South Holland accounts must now include its share of CPBS assets, liabilities, income and expenditure, consolidated on a line by line basis.

Note 42 provides a detailed analysis of the Council's share in the Company.

Significant Provisions at the Balance Sheet Date

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2014/15 and earlier years. A provision has been made in the Collection Fund accounts based on the best estimate of the amount that businesses have potentially been overcharged up to the 31 March 2015, using the latest Valuation Office list of outstanding appeals with an assessment being made of likely impact of those appeals.

The Council's share of the provision as at 31 March 2015 (40% of £4.279m) is £1.711m (£1.019m at 31 March 2014).

Pension liabilities and assets

The application of International Accounting Standard (IAS) 19 has resulted in a net Pension Liability at the year-end of £34.624m (£29.624m at 31 March 2014) as calculated by the actuary to the Lincolnshire County Council Pension Fund, Hymans Robertson. This represents an assessment of the Council's proportion of net assets and liabilities within the fund. This amount is matched by a Pension Reserve in the Balance Sheet and therefore has no immediate impact on the Council's overall financial position at 31 March 2015.

The Compass Point Share of the Pension Liability as at 31 March 2015 is £3.351m (£1.914m at 31 March 2014).

The estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.

The net liability has increased during 2014/15 as a result of a reduction in the net discount rate over this period, the negative impact of which has outweighed positive asset returns achieved over the same period.

1.5 Resources available

At the 31 March 2015, the Council has the following usable reserves available to finance future capital and revenue expenditure.

31 March 2014 £'000	Reserve	31 March 2015 £'000
2,034	General Fund Balance	2,023
7,883	General Fund Earmarked Reserves	9,274
6,835	Housing Revenue Account Balance	8,968
200	Housing Revenue Account Earmarked Reserves	200
1,410	Capital Receipts Reserve	1,907
1,612	Capital Grants Unapplied	1,522
633	Capital Grants – Receipts in Advance	549
20,607	Total Usable Reserves	24,443

The General Fund Balance reported on the Council's Balance Sheet as at 31 March 2015, £2.055m, includes the impact of consolidation of the joint operation.

2.0 OPTIONS

2.1 To note the report and the pre-audit financial statements.

2.2 To do nothing.

3.0 REASONS FOR RECOMMENDATIONS

3.1 The report and appendix are for information and consultation; no approvals are required at this stage.

4.0 EXPECTED BENEFITS

4.1 To enable comments and challenge from the committee members and to highlight any key areas of note.

5.0 IMPLICATIONS

5.1 Carbon Footprint / Environmental Issues

5.1.1 It is the opinion of the report author that there are no implications.

5.2 Constitution & Legal

5.2.1 Compliance with the Accounts and Audit Regulations 2011

5.3 Contracts

5.3.1 It is the opinion of the report author that there are no implications.

5.4 **Corporate Priorities**

5.4.1 It is the opinion of the report author that there are no implications.

5.5 **Crime and Disorder**

5.5.1 It is the opinion of the report author that there are no implications.

5.6 **Equality and Diversity / Human Rights**

5.6.1 It is the opinion of the report author that there are no implications.

5.7 **Financial**

5.7.1 The appendix is of a financial nature and therefore finance is included.

5.8 **Health & Wellbeing**

5.8.1 It is the opinion of the report author that there are no implications.

5.9 **Risk Management**

5.9.1 Risks are included in the financial statements as required.

5.10 **Staffing**

5.10.1 It is the opinion of the report author that there are no implications.

5.11 **Stakeholders / Consultation / Timescales**

5.11.1 It is the opinion of the report author that there are no implications.

6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 No wards or communities are affected.

7.0 **ACRONYMS**

7.1 IFRS - International Financial Reporting Standard

7.2 CPBS – Compass Point Business Services

7.3 IAS – International Accounting Standard

Background papers: - None

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Key Decision: No

Exempt Decision: No

Appendices attached to this report:

Appendix A – Pre-audit Financial Statements