

# FAREHAM

## BOROUGH COUNCIL

### **Report to Audit and Governance Committee**

**Date**                    **21 September 2015**

**Report of:**            **Director of Finance and Resources**

**Subject:**              **STATEMENT OF ACCOUNTS**

#### **SUMMARY**

Local Authorities have a duty to prepare and publish an annual Statement of Accounts in accordance with regulations issued by the Secretary of State. Members are requested to formally approve the annual Statement of Accounts for 2014/15 that is attached to this report.

#### **RECOMMENDATION**

That the Statement of Accounts for 2014/15, attached as Appendix A, be approved and published by 30 September 2015.

## **INTRODUCTION**

1. The Audit Commission Act 1998 requires the Council to prepare a Statement of Accounts and have them audited.
2. The Accounts and Audit (England) Regulations 2011 requires every local authority to adopt proper accounting practices in the preparation and publication of the Statement of Accounts.
3. The Local Government Act 2003 (Section 21) defines proper accounting practices for this purpose to be the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) for the relevant year.
4. The Statement of Accounts set out in Appendix A has been prepared in accordance with the Code.

## **THE PURPOSE OF THE STATEMENT OF ACCOUNTS**

5. The Code is based on approved accounting standards so that an authority's accounts present a "true and fair view" of the financial position and transactions of the authority. It has been prepared on the basis that the purpose of a local authority's published Statement of Accounts is to give electors, Members and other interested parties clear information about the authority's finances.

## **THE AUDIT PROCESS**

6. The Statement of Accounts attached as Appendix A has been audited. The Council's external auditors are Ernst & Young LLP (EY) and they are responsible for forming an opinion on the Statement of Accounts and certifying that it is a "true and fair" view of the financial position of Fareham Borough Council as at 31 March 2015.
7. The audit opinion is based upon a detailed audit carried out by EY during July and August 2015 in accordance with statutory requirements.
8. Before the audit opinion is certified EY will report to Members, in accordance with the International Standards of Auditing (ISA260), whether or not there are any issues arising from the audit of the accounts (see separate report on the agenda of this meeting).

## **KEY ISSUES AND MATTERS OF INTEREST**

9. The key issues and matters of interest arising from the 2014/15 Statement of Accounts are:
  - Daedalus Airfield – The Council acquired Daedalus Airfield in March 2015. During 2014/15, £1.5 million of runway improvements were funded from the Council's capital reserves and £5 million was used to complete the Innovation Centre funded from a grant from the Homes and Communities Agency (HCA). A grant of £4.25 million was also received from the HCA for future developments at the site.
  - Council Dwellings Revaluation – The Council values its housing stock annually in accordance with the Code. For 2014/15 there was a revaluation gain of £7.8 million due to an increase in market values.

- Housing stock buy-back – During the year, the Council sold 6 homes under the right to buy scheme which was partly replenished by buying back 5 homes sold under right to buy in earlier years.
- Pension Fund – The Council's pension fund liability increased by £6.8 million during 2014/15. The main reason for the change is due to actuarial losses as a result of changes to the financial assumptions used.
- Business Rate appeals – The business rate appeals provision increased by 96% to £2.6 million. This was largely due to a change in legislation where back dated appeals are no longer allowed. This resulted in a large spike in the number of appeals at the end of the year before the legislation took effect.
- Commercial Property Acquisitions – During the year the Council acquired two commercial properties as part of the commercial property investment acquisition programme at a cost of £2.2 million.
- Community Infrastructure Levy – The Council raised £2.4 million from the Community Infrastructure Levy during 2014/15 which has been transferred to the Council's capital reserves to fund the capital programme.

## **THE CONTENT OF THE STATEMENT OF ACCOUNTS**

10. The following paragraphs give a brief outline of the various sections included within the Statement of Accounts.

### **Explanatory Foreword**

11. The explanatory foreword helps to explain the content of the accounts; provides summaries of the different types of income and expenditure (revenue and capital) for the General Fund and Housing Revenue Account (HRA); explains the levels of reserves and pension fund liability and describes the significant developments during the year.

### **Statement of Responsibility for the Statement of Accounts**

12. This statement sets out the responsibilities of the Council, the Audit and Governance Committee and the Director of Finance and Resources for the production and approval of the accounts.

### **Confirmation of Approval by Members**

13. This section carries the signature of the Chairman of the Audit and Governance Committee to confirm the details of the approval of the Statement of Accounts by the Audit and Governance Committee.

### **Comprehensive Income and Expenditure Statement**

14. The following core accounting statements are included:

**Comprehensive Income and Expenditure Statement** - This statement brings together all of the Council's day to day (revenue) income and expenditure as well as transactions relating to the value of long term assets and pension costs.

**Balance Sheet** - The Balance Sheet shows the assets that the Council owns, how much the Council owes or is owed, and the Council's net assets (sometimes referred to as net worth).

**Movement in Reserves Statement** - This statement shows the movement between the Council's reserves (which are split between usable and unusable) and the total adjustments needed (in respect of revaluations, capital items and notional pension costs) to the reported surplus and deficit on the Comprehensive Income and Expenditure Account, to arrive at the actual movement in the General Fund Balance.

**Cash Flow Statement** - This statement shows the amount of cash received and paid out during the year and the net inflow and outflow of cash and cash equivalents.

**Notes to the Core Financial Statements** - This section includes the accounting policies and explanatory information relating to the core statements.

15. The following supplementary statements are also included:

- HRA Income and Expenditure Account
- Statement of Movement on the HRA Balance
- Collection Fund

## **Glossary**

16. This section of the Statement of Accounts sets out a detailed explanation of the various accounting terms that are used in the document.

## **Independent Auditor's Report**

17. This is the external auditor's opinion on the accounts and contains their view as to whether the accounts give a true and fair view of the Council's financial position and performance for the year. The opinion will be included within the final published document which must be published by 30 September 2015.

## **RISK ASSESSMENT**

18. There are no significant risk considerations in relation to this report

## **CONCLUSION**

19. Members are asked to formally approve the Statement of Accounts for 2014/15.

**Background Papers:** None

**Reference Papers:** Code of Practice on Local Authority Accounting 2014

**Appendix A:** [Statement of Accounts 2014/15](#)

**Enquiries:**

For further information on this report please contact Caroline Hancock. (Ext 4589)

