

STATEMENT OF ACCOUNTS 2014-15

To: **Audit and Accounts Committee**

Date: **22nd September 2015**

From: **Chief Finance Officer**

Electoral division(s): **All**

Forward Plan ref: **N/a** *Key decision:*

Purpose: **This report presents the formal Statement of Accounts, as part of the Council's approval process.**

Recommendation: **The Committee is asked to approve the 2014/15 Statement of Accounts.**

<i>Officer contact:</i>	<i>Member contact</i>
Name: Chris Malyon	Name: Cllr. Michael Shellens
Post: Chief Finance Officer	Portfolio: Resources and Performance
Email: chris.malyon@cambridgeshire.gov.uk	Email: michael.shellens@cambridgeshire.gov.uk
Tel: 01223 699796	Tel: 01480 456555

1. BACKGROUND

- 1.1 The Council's Statement of Accounts is produced in accordance with the Code of Practice (CoP) on Local Authority Accounting in the United Kingdom 2014-15 (supported by International Financial Reporting Standards (IFRS)), and includes a full balance sheet and statement of cash flow movements.
- 1.2 This version of the Statement of Accounts replaces the draft version that was presented to the Committee for review on the 14 July 2014 and now requires this Committee's approval.

2. STATEMENT OF ACCOUNTS

2.1 Presentation

- 2.1.1 The Statement of Accounts (including the separate Pension Fund accounts) is attached at appendix 3. It is accompanied by an Explanatory Foreword and Annual Governance Statement (AGS) and its format is prescribed by the CoP 2014-15.
- 2.1.2 The classification of services in the Comprehensive Income and Expenditure Statement does not align with internal management arrangements and service structures, and is therefore presented differently to the Council's outturn Integrated Resources and Performance Report. Instead, the Statement of Accounts has to conform to the service classification required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Service Reporting Code of Practice (SeRCOP) 2014-15.
- 2.1.3 Whilst it is the Statement of Accounts on which the audit opinion is given, a reconciliation showing how the overall results within the accounts differ from that reported within the Outturn Integrated Resources and Performance Report is provided in note 23.
- 2.1.4 A number of amendments have been made to the Statement of Accounts since the draft set were reviewed by the Committee at the meeting on the 14 July. These changes have been made to incorporate adjustments due to further work by the finance team, external audit review, and feedback received from the Committee in July. The key amendments are outlined in section 3 of this report.

2.2 Review – Comprehensive Income and Expenditure Statement

- 2.2.1 See Appendix 1 for a summary of changes from 2013-14 to 2014-15.
- 2.2.2 Net expenditure within Education and Children's services has decreased by £43m when compared with 2013-14. This is a result of a lower level of funding, plus net revaluation gains within its property portfolio (particularly in relation to increasing land values in the south of Cambridgeshire).

- 2.2.3 The reduction in both Highways and Transport services and Adult Social Care reflects the reducing level of funding across the Council as a whole.
- 2.2.4 Corporate and Democratic Core and Non-Distributed Costs are impacted by a variety of technical accounting adjustments including reserve movements, accounting for retirement benefits (pension fund adjustments), debt charges and expenditure relating to fixed assets. The increase this year represents the overall net change across all of these areas.
- 2.2.5 The significant decrease in Other Operating Expenditure wholly relates to a much smaller loss on disposal of Fixed Assets in 2014-15 of £22.8m (£114.3m in 2013-14). The losses in both years are primarily a result of the statutory transfer of schools out of the Council's fixed assets portfolio, including 8 primary schools converting to academy.
- 2.2.6 The decrease in taxation and non-specific grant income reflects the net position of an increase in the Council Tax precept of 1.99%, more than offset by reductions in the level of non-ringfenced government funding and the income recognised from capital grants and contributions as part of financing the capital programme.
- 2.2.7 As stated, differences between the 'Net Cost of Services' and 'Deficit on Provision of Services' reported in the Comprehensive Income and Expenditure Statement (CIES), and the underspend reported in the Outturn Report, are the result of differences in presentational rules. A summary showing this variation is a disclosure requirement within the Code, and is shown in note 23 to the accounts.
- 2.2.8 The change in the surplus on revaluations, reflects the statutory adjustments required in relation to fixed assets on an annual basis. The significant increase in the surplus (particularly in relation to land), includes the result of a detailed assessment of 20% of the Council's property portfolio by valuers as part of the 5-year revaluation rolling programme, plus an indexation adjustment on the remaining 80%.
- 2.2.9 The estimated pension deficit for the Council, measured on an actuarial basis, has increased from £438m at 1 April 2014 to £559m at 31 March 2015. Financial assumptions at 31 March 2015 were less favourable than they were at 31 March 2014, resulting in an increase to the value of the Fund's liabilities. However, the actual investment return on the Fund's assets during 2014-15 was higher than the typical expected asset return at the start of the year. Overall, this combination of higher than expected investment returns, offset by worsening financial assumptions, has resulted in a significant increase in the deficit amount.

2.3 Review – Balance Sheet

- 2.3.1 See Appendix 2 for a summary of changes from 31 March 2014 to 31 March 2015.

- 2.3.2 The net book value of the Council's property, plant and equipment assets have increased by £193m during 2014-15, to £1,899.3m. The material movements that have contributed to the overall increase to the balance sheet include the following:
- Revaluation increases (+£202m)
 - The net impact of Assets Under Construction (AUC) and Infrastructure assets additions and Revenue Expenditure Funded from Capital Under Statute (+£51m)
 - Retirements (-£19m)
 - Depreciation charges for 14-15 (-£39m)
 - Transfers to Assets Held for Sale (-£2m)
- 2.3.3 Included within Short Term Investments is an amount of £50k relating to share capital in the Municipal Bonds Agency that will issue bonds on behalf of local authorities. The Council has committed to invest £400k in total and the balance will be drawn down during 2015-16.
- 2.3.4 The Council's net working capital position has improved from 2013-14 to 2014-15, with Short Term Payables reducing by more than the total decrease in Short Term Receivables and Inventories. Short Term Payables reduced by £17.7m and Short Term Receivables by £4.7m. This reflects the positive performance reported during the year in relation to the Council's debt collection and prompt payment processes.
- 2.3.5 The Council had a reduced cash and cash equivalents position in the year of £4.8m, with a balance at the 31 March 2015 of £37.5m. However, it should be noted that this does not represent the actual balance on the Council's accounts at the bank, but the book balance taking timing differences into account. The cash in current accounts is maintained at +/- £2 million, through use of temporary loans and deposits.
- 2.3.6 Total debt outstanding at the year-end was £382.7m, well within the maximum limit determined in accordance with legislation of £628m. There was a net decrease of £22.9m in long-term loans in the year and a net increase of £23.0m in short term loans. New loans were raised to fund the capital programme and working capital commitments. Cash surpluses during the year have been invested in accordance with guidance issued by the Government and the Council's agreed Treasury Management Strategy. The primary objective is to ensure that funds are invested prudently, with priority given to security and risk minimisation.
- 2.3.7 The £121m increase in the pension scheme liability reflects the requirements of IAS 19 and is as advised by the Scheme's actuary. This along with increasing liabilities in relation to the Street Lighting Private Finance Initiative (PFI) scheme (due to the phased addition of assets), explains the increase in Other Long Term Liabilities.
- 2.3.8 The £55.0m increase in unusable reserves (those that are not able to be used to provide services) is primarily a result of the overall net increase in

fixed assets (i.e. incorporating additions, revaluations, disposals & depreciation), partially offset by the increase in the pension fund liability for the Council (as noted in 2.2.9 and 2.3.7).

2.3.9 During the year, the total equity of the Council increased by £60.3m.

3. AMENDMENTS TO NOTE SINCE THE DRAFT ACCOUNTS

3.1 The table below summarises all the significant amendments to the draft Statement of Accounts submitted at the Audit & Accounts Committee meeting on 14 July 2015 which have been incorporated into the final document. These are as a result of further work by the finance team and any findings from the review by the external auditors:

Section	Page	Detail
Explanatory Foreword	7	<ul style="list-style-type: none"> The graph is now based on the net cost of services in the Comprehensive Income and Expenditure Statement rather than the net expenditure from the Outturn Report as it was felt this had more relevance to the document.
	11	<ul style="list-style-type: none"> Section added on the accounting for schools prior period adjustment.
Independent Auditors Report	20	<ul style="list-style-type: none"> Report now included – opinion on financial statements, pension fund accounts and arrangements for securing value for money.
Statement of Responsibilities, Certificate and Approval of Accounts	27	<ul style="list-style-type: none"> Approval section added – to be signed off by the Chairman of the Audit & Accounts Committee.
Movement in Reserves Statement (MIRS)	28	<ul style="list-style-type: none"> Amendments to figures as a result of further work and audit adjustments.
Comprehensive Income & Expenditure Statement (CIES)	29	<ul style="list-style-type: none"> Amendments to figures as a result of further work and audit adjustments.
Balance Sheet	30	<ul style="list-style-type: none"> Amendments to figures as a result of further work and audit adjustments
Cash Flow Statement	31	<ul style="list-style-type: none"> Amendments to figures as a result of further work and audit adjustments.
Notes To The Core Financial Statements	59-60	<ul style="list-style-type: none"> Note 12 (Property, plant and equipment) - amendments to figures as a result of further work and audit adjustments.
	75	<ul style="list-style-type: none"> Note 23 (Amounts Reported for Resource Allocation Decisions) - changes to figures to reflect the correct classification of income.
	82	<ul style="list-style-type: none"> Note 27 (Officer Remuneration) – additional column added to the over £50k banding table to show how comparative data has been treated.
	96	<ul style="list-style-type: none"> Note 37 (Retirement benefits) – narrative added explaining that the figures only relate to CCC's share as a participating employer of the LGPS.

Section	Page	Detail
Pension Fund accounts	114 - 152	<ul style="list-style-type: none"> Updated data and presentational changes following external audit.

4. OTHER MATTERS

- 4.1 In light of ongoing work, some disclosure and presentational changes to the Statement of Accounts may still be required before this meeting of the Audit & Accounts Committee on the 22 September 2015. Any such changes will be discussed in the pre-briefing with the Chairman of the Audit & Accounts Committee, and tabled at the meeting.
- 4.2 There are two key issues still being discussed which relate to the Council's infrastructure and AUC balances on the balance sheet:
- Infrastructure – the ongoing work is to ensure that there is sufficient disclosure in the Accounts to explain the accounting treatment/ judgements applied to this category of asset, and to ensure it correctly reflects how the assets are being treated. PwC are currently working with their technical team for guidance around appropriate wording for this.
 - Assets Under Construction – having provided PwC with a project listing which comes to approximately £46m, discussions continue about how to treat the remaining balance within the total for AUC (£189m).

5. ALIGNMENT WITH CORPORATE PRIORITIES

5.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

5.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

5.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

6. SIGNIFICANT IMPLICATIONS

6.1 Resource Implications

There are no significant implications within this category.

6.2 Statutory, Risk and Legal Implications

There are no significant implications within this category.

6.2 Equality and Diversity Implications

There are no significant implications within this category.

6.3 Engagement and Consultation Implications

There are no significant implications within this category.

6.4 Localism and Local Member Involvement

There are no significant implications within this category.

6.5 Public Health Implications

There are no significant implications within this category.

Source Documents	Location
Code of Practice 2014-15 (based on IFRS) Statement of Accounts 2013-14. Statement of Accounts working papers. Outturn Integrated Resources & Performance Report for 2014-15	Room 301 Shire Hall, Cambridge

Appendix 1: Comprehensive Income and Expenditure Statement Changes

	2014-15 £000	2013-14 £000	Change £000	Change %	Ref
Central services to the public	2,221	1,667	554	33.2%	
Culture and related services	9,880	10,295	-415	-4.0%	
Environment and regulatory services	21,782	22,715	-933	-4.1%	
Planning services	3,347	3,789	-442	-11.7%	
Education and children's services	102,553	145,104	-42,551	-29.3%	2.2.2
Highways and transport services	44,535	50,068	-5,533	-11.1%	2.2.3
Adult social care	148,493	162,606	-14,113	-8.7%	2.2.3
Corporate and democratic core	9,804	6,426	3,378	52.6%	2.2.4
Non distributed costs	-1,340	-2,071	731	-35.3%	
Public Health services transferred from the PCT	0	-720	720	100.0%	
Cost Of Services	341,275	399,879	-58,604		
Other Operating Expenditure	16,308	114,292	-97,984	-85.7%	2.2.5
Financing and Investment Income and Expenditure	42,413	43,431	-1,018	-2.3%	
Taxation and Non-Specific Grant Income	-392,767	-452,053	59,286	-13.1%	2.2.6
Deficit on Provision of Services	7,229	105,549	-98,320		2.2.7
(Surplus) or deficit on revaluation of fixed assets	-170,107	-28,496	-141,611	497.0%	2.2.8
Impairment losses on non-current assets charged to the Revaluation Reserve	2,351	10,154	-7,803	-76.8%	
Actuarial (gains) / losses on pension assets / liabilities	100,221	-21,408	121,629	-568.1%	2.2.9
Other Comprehensive Income and Expenditure	-67,535	-39,750	-27,785		
Total Comprehensive Income and Expenditure	-60,306	65,799	-126,105		

Appendix 2: Balance Sheet Changes

	31-Mar-15 £000	31-Mar-14 £000	Change £000	Change %	Ref
Property, Plant & Equipment	1,899,344	1,706,546	192,798	11.3%	2.3.2
Heritage assets	20,716	20,715	1	0.0%	
Long Term Debtors	3,139	3,569	-430	-12.0%	
Long Term Assets	1,923,199	1,730,830	192,369	11.1%	
Short Term Investments	50	-	50	-	2.3.3
Assets Held for Sale	1,098	1,100	-2	-0.2%	
Inventories	671	736	-65	-8.8%	2.3.4
Short Term Debtors	65,508	70,154	-4,646	-6.6%	2.3.4
Cash and Cash Equivalents	37,724	43,930	-6,206	-14.1%	2.3.5
Current Assets	105,051	115,920	-10,869	-9.4%	
Cash and Cash Equivalents	-262	-1,681	1,419	-84.4%	2.3.5
Short Term Borrowing	-26,557	-3,514	-23,043	655.7%	2.3.6
Short Term Creditors	-102,196	-119,893	17,697	-14.8%	2.3.4
Provisions	-6,172	-4,535	-1,637	36.1%	
Capital Grants and Contributions Receipts in Advance	-29,864	-17,405	-12,459	71.6%	
Current Liabilities	-165,051	-147,028	-18,023	12.3%	
Provisions	-3,612	-4,718	1,106	-23.4%	
Long Term Borrowing	-356,190	-379,125	22,935	-6.0%	2.3.6
Other Long Term Liabilities	-670,651	-539,779	-130,872	24.2%	2.3.7
Capital Grants and Contributions Receipts in Advance	-12,975	-16,635	3,660	-22.0%	
Long Term Liabilities	-1,043,428	-940,257	-103,171	11.0%	
Net Assets	819,771	759,465	60,306	7.9%	
Usable Reserves	87,938	82,630	5,308	6.4%	
Unusable Reserves	731,833	676,835	54,998	8.1%	2.3.8
Total Reserves	819,771	759,465	60,306	7.9%	2.3.9