

Statement of Accounts 2014-15

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Financial Reporting

Objective:

Show the results of the **stewardship** and **accountability** of elected Councillors and management for the resources entrusted to them, which is of paramount importance in the use of public funds.

How:

- Plans & policies with consultation
- Budget book
- Council tax leaflet
- Transparency reporting
- **Statutory requirement to produce audited accounts and publish them**

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What is the purpose of financial statements?

- The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users for
 - accountability purposes and
 - for decision-making purposes
- Financial reporting is not an end in itself. Its purpose is to provide information useful to users.
- The objectives of financial reporting are therefore determined by reference to the users of accounts, and their information needs.

[IPSASB Exposure Draft – Conceptual Framework]

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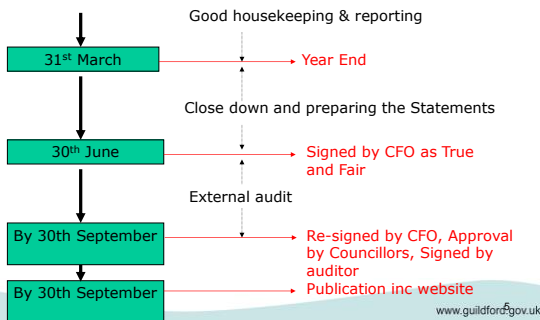
Who uses Local Authority Accounts?

- ‘Funders and financial supporters’ - government, Council Tax and Non-Domestic Rate payers
- Service users and their representatives
- Councillors have an important role to play both in representing and as part of the management of the authority

Preparing financial statements in a manner that is consistent with government information requirements should help minimise the amount of dual reporting that is required

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Preparing the accounts



The Accounts

- <http://www.guildford.gov.uk/soa>
- Include many statements!
 - Explanatory Foreword
 - Annual Governance Statement (AGS)
- Financial Statements:
 - Movement in Reserves Statement (MiRS)
 - Comprehensive Income and Expenditure Statement (CI&ES)
 - Balance Sheet
 - Cash Flow Statement
 - Notes
- Now on an International Financial Reporting Standard (IFRS) basis

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CGSC – Statement of Accounts review

Review of the statements and satisfy yourself that appropriate steps have been taken to meet statutory and recommended professional practices. Including:

- reviewing the explanatory foreword to ensure consistency with the statements and the financial challenges and risks facing the authority in the future
- reviewing whether the foreword is readable and understandable by a lay person
- identifying the key messages from each of the financial statements and evaluating what that means for the authority in future years
- monitoring trends and reviewing for consistency with what is known about financial performance over the course of the year
- reviewing the suitability of accounting policies and treatments
- seeking explanations for changes in accounting policies and treatments
- reviewing major judgemental areas, eg provisions
- seeking assurances that preparations are in place to facilitate the external audit
- refer any significant concerns from the accounts to Council
- refer any significant concerns from the external to Council

GF and HRA Performance - Comprehensive Income and Expenditure Statement CIES (1)

Comprehensive Income and
Expenditure Statement

2014-15			
Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Central services to the public	2,201	1,068	1,133
Cultural and Related Services	12,884	7,009	5,875
Environmental and Regulatory Services	14,923	7,260	7,663
Planning Services	7,488	2,387	5,101
Highways and transport services	6,901	11,740	(4,839)
Local authority housing (HRA):			
- Revaluation gain	2	(22,462)	(22,462)
- Other	15,592	32,275	(16,683)
Other housing services	43,045	37,988	5,057
Adult social care	2,524	1,565	959
Corporate and democratic core	4,841	759	4,082
Non distributed costs	74		74
Cost of Services	88,011	102,051 (14,040)	

Reconciles to
the
Segmental
Reporting
Note

GF and HRA Performance – CIES (2)

Cost of Services	88,011	102,051	(14,040)
Other operating expenditure	4		(2,150)
Financing and investment income and expenditure	5		(1,565)
Taxation and non-specific grant income	6		(18,867)

Surplus on Provision of Services (36,622)

Items that will not be reclassified to the surplus on provision of services

Surplus on revaluation of Property, Plant and Equipment assets	2, 26		(60,098)
Remeasurements of the net defined benefit liability	2, 26		22,376

Items that may be reclassified to the surplus on provision of services

Surplus on revaluation of available for sale financial assets	26		(716)
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Other Comprehensive Income and Expenditure (38,438)

Total Comprehensive Income and Expenditure (75,060)

GF and HRA Performance

- Surplus or Deficit – what does this mean?
- Comparison with Budget Outturn
- Implications for long-term planning?

GF and HRA Performance - Significant Movements 2014/15

- HRA revaluation gain £22m on CI&ES
- £2.8m income increase in Cultural and related services due to a change in accounting requirement for SPA receipts
- £36.6m Surplus on provision of services (£38.4m relates to HRA, deficit of £1.8m GF)
- £60m surplus on property revaluation
- £22m actuarial loss on pension fund

Balance Sheet

- Shows the value of assets and liabilities
- Significant movements 2014/15:
 - PPE increase £81m (15%) (Note 14);
 - £62m revaluation of property, mainly council dwellings
 - £5.9m additions to council dwellings
 - £5.7m additions to assets under construction
 - Investment property increase due to £7.4m acquisitions & £2.5m revaluation (note 16)
 - £8m increase in LT investments & £20m increase in ST investments (note 16)

Balance Sheet

- Significant movements 2014/15 continued:
 - £1.8m increase in provisions (note 21)
 - £25m increase in pensions liability (note 27)
 - £7.8m increase in HRA earmarked reserves (note 22)
 - £6.8m increase in GF earmarked reserves (note 22)

Balance Sheet - Reserves

- **Useable reserves** (General reserves), which are intended for general contingencies: level should be based on risk analysis
- **Earmarked reserves**
- **Capital reserves**

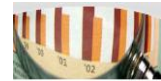
Reserves	2014/15, £000
General Fund (GF) Reserve	3,748
Earmarked GF Reserves	27,045
Housing Revenue Account reserve	2,500
HRA earmarked reserves	44,282
Capital receipts reserve	29,999
Major repairs reserve	2,070
Capital Contributions	63
TOTAL USEABLE RESERVES	109,707

Key Financial Indicators

Indicator	Definition	2013-14	2014-15
Liquidity Ratio	Current Assets / Current Liabilities	3.78	3.08
Gearing %	Long term borrowing / Long Term Assets	29.75%	26.42%
Borrowing as a % Gross Income	Long Term Borrowing / (Gross Income - Other housing services + Taxation and Non-specific Grant Income)	2.53	2.39
Unringfenced Reserves as % Net Revenue Expenditure	level of GF & earmarked reserves / net revenue expenditure from RO form	185%	325%
GF Balance as % Net Revenue Expenditure	GF balance / net revenue expenditure from RO form	29%	40%

Citizens Right to Inspect Ledgers

- Every year councils are required to open their accounting records for public inspection and challenge over a set time period. These citizens' rights include checking not just the accounts but also 'all books, deeds, contracts, bills, vouchers and receipts related to them'.
- These rights allow the public to check any spending under the £500 online transparency threshold, and avoid the need to submit Freedom of Information Act requests.
- Specific information published on
 - Elected Councillors remuneration
 - Senior Staff Salaries over 50k
 - Exit packages



External audit

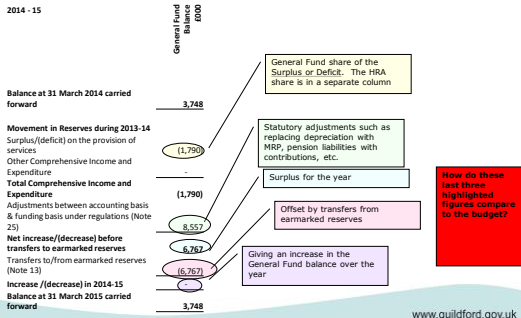
- Objectives – assessment of:
 - The accounts are prepared in accordance with statutory provisions/regulations and 'True and Fair' the financial position
 - Value for money – financial resilience, economy, efficiency and effectiveness
- Work with internal audit to maximise effectiveness



Slides for Information Only

Movement in Reserves Statement

2014 - 15



Segmental Reporting (1)

Note that headings are based on the authority's service units, not the service classification in SeRCOP (see page 110 of agenda)

2014-15	Business Systems	Corporate Development	Economic Development	Financial Services	Health and Community Care	Housing and Advice Services	Human Resources	Legal Services	Neighbourhood and Democratic Services	Operational and Housing Management	Parks and Leisure	Planning and Services	Revenue Payments	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(4,364)	(829)	(8,164)	(1,188)	(2,502)	(129)	(719)	(1,228)	(3,958)	(20,558)	(7,896)	(2,032)	(2,608)	(32,275)	(88,450)
Government grants and contributions	(4)	-	(25)	(80)	(2)	-	(85)	-	-	-	-	(20)	(36,944)	(37,170)	(75,720)
Total Income	(4,368)	(829)	(8,164)	(1,213)	(2,592)	(131)	(719)	(1,313)	(3,958)	(20,558)	(7,896)	(2,052)	(39,552)	(32,275)	(75,720)
Employee expenses	1,738	1,292	1,836	3,170	2,631	642	771	1,341	1,714	6,638	2,876	3,003	1,816	2,716	31,986
Other service expenses	1,538	812	2,151	307	2,164	765	51	1,005	2,342	10,698	4,553	1,073	38,098	5,844	71,402
Support service packages	401	494	827	418	651	101	133	816	241	1,853	502	798	532	1,508	9,273
Depreciation and amortisation	575	32	298	54	54	-	-	25	2,262	2,816	-	-	-	5,951	11,817
Total Expenditure	4,253	2,630	5,108	3,895	5,500	1,508	955	3,162	4,322	21,451	10,347	4,872	49,448	16,822	124,478
Net Expenditure	(115)	1,701	(3,056)	2,682	2,908	1,377	236	1,849	364	893	2,451	2,822	894	(16,250)	(1,242)

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Segmental Reporting (2)

	2014-15 £000
Net expenditure in the Service Unit Analysis	(1,242)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis, mainly comprising, revaluation gains and losses, revenue funded from capital under statute (REFCUS) and IAS19 adjustment.	(21,359)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	8,561
Net Cost of Services in Comprehensive Income and Expenditure Statement	(14,040)

Reconciles to the **Net Cost of Services** figure in the CIES

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