

MIDDLESBROUGH COUNCIL

AGENDA ITEM 4

COMMITTEE REPORT

CORPORATE AFFAIRS AND AUDIT COMMITTEE

24TH SEPTEMBER 2015

STATEMENT OF ACCOUNTS 2014/2015

Paul Slocombe – Chief Finance Officer

PURPOSE OF THE REPORT

1. For Members of the Corporate Affairs and Audit Committee to receive and review the Middlesbrough Council Statement of Accounts for the 2014/2015 financial year.

BACKGROUND

2. The Statement of Accounts is essentially a technical publication containing accounting statements that have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain and the Statutory Accounts and Audit Regulations (The Code). The Code is updated annually and specifies the accounting principles and practices required to prepare a Statement of Accounts, which present a true and fair view of the position of a local authority.
3. The 2014/2015 Statement of Accounts has been prepared in compliance with International Financial Reporting Standards (IFRS).
4. A summary of the main changes to the draft Statement of Accounts presented to Members in June 2015 is set out overleaf. The changes have no impact on the level of resources available to the Authority.

	Issue	Alteration
1	Property Revaluations Update	
	Since the draft accounts were produced, a review has been undertaken on the valuation of Council Assets. Two amendments have been proposed. The on-going development at the Newham Hall Farm site has been revalued from £4.2 million to £5.3 million and the application of the up to date Building Control Information Service (BCIS) index has resulted in an increase in the valuation of the Town Hall from £4.7 million to £5.5 million. The total adjustment of £1.9 million represents an increase of 0.4% in the overall value of Long Term Assets.	Increase of £1.9 million in the value of Properties on the Balance Sheet.
2	Business Rates (NNDR) Income	
	An adjustment has been made in the presentation of NNDR bad debt written off in the Collection Fund. This has no impact in the level of the resources available to the Authority	Increase in NNDR income and an increase in Bad Debt written off of £2.452 million.
3	NNDR Refunds	
	An adjustment has been made between debtors and creditors in respect of NNDR refunds processed close to the year end. This has no impact in the level of the resources available to the Authority	Increase in Debtors and Creditors of £383,000.
4	Reclassification between Debtors and creditors	
	There has been a reclassification of £3.3 million of cash received before the year end against Debtors rather than as Income in Advance. This has no impact in the level of the resources available to the Authority	Reduction in Debtors and Creditors of £3.310 million.

5. The Council's Auditors, Deloitte, have not yet completed their testing on the recognition of grant income and will provide a verbal update at the meeting. Any adjustments arising from this testing are of a technical nature and will have no impact on the level of resources available to the Authority.
6. The Auditor's ISA 260 report to this Committee contains a number of recommendations. These are currently being considered by Officers and a response will be provided to the next meeting of the Committee together with details of any proposed actions.

7. Attached to this report are extracts from the audited Statement of Accounts 2014/2015:

- **Appendix A - Foreword**

This provides information on the format the Statement of Accounts as well as a review of the financial position of the Council for the 2014/2015 financial year.

- **Appendix B – Comprehensive Income and Expenditure Statement.**

This is equivalent to a profit and loss account in a private sector companies accounts. It shows the income and expenditure of all the Council's functions, the net cost of Council services for the financial year and demonstrates how this has been funded (e.g. Government Grants, Non Domestic Rates and Council Tax). The format of the income and expenditure of the Council's services is presented using the Code of Practice on Local Authority Reporting Standards 2014/2015 (The Code) classification, a statutory requirement.

- **Appendix C- Balance Sheet.**

This statement is important to the understanding of the local authority's financial position as at the 31st March 2015. It reports details of, the value of assets owned by the council, the level of creditors (amounts owed by the Council), the level of debtors (amounts owed to the Council) and the level of provisions and balances maintained by the Council.

- **Appendix D – Movement on Reserves Statement.**

This statement shows the movement in the year on the different reserves held by the Council, split into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

- **Appendix E – Cash Flow Statement.**

This Statement explains the movement in the Council's cash balances over the year and summarises the inflows and outflows of cash. The other main Statements are produced on an accruals basis, whereby income and expenditure are matched to the period to which they relate whether or not it has been paid or received. This Statement has any non-cash accounting adjustments and accruals removed and displays the situation relating to actual cash received from third parties and actual cash paid to third parties.

- **Appendix F – Collection Fund Statement.**

This statement has no equivalent in the private sector. It is required by statute and shows the transactions the Council has undertaken in relation to Non-Domestic Rates and Council Tax income collection.

- **Appendix G – Teesside Pension Fund Statement.**

The Pension Fund Accounts show the contributions to the Council's Pension Fund, for employees employed by the contributing bodies during 2014/2015 together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the fund as at 31st March 2015.

8. A copy of the full Statement of Accounts has been made available to all Members of the Corporate Affairs & Audit Committee and a copy has also been placed in the Members Library. In addition, a copy of the accounts will be made available on the Council's website, once the External Auditor has signed the document.

EXTERNAL CONSULTATION

9. Notice was given in the local press and on the Council's website for any interested person to inspect, and make copies of, the Statement of Accounts and other supporting documents between 1st and 28th July 2015. There was one interested person this year.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

10. Overall the accounts show a sound financial position for the Council with the level of balances being in line with the Council's Medium Term Financial Plan.

RECOMMENDATIONS

11. It is recommended that Members approve the 2014/2015 Statement of Accounts.

REASONS

12. The recommendation is supported by the requirement to comply with the 2004 Accounts and Audit Regulations, which require the audited Statement of Accounts to be approved by 30th September 2015.

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