

**STRATEGY AND RESOURCES COMMITTEE**  
**24 JUNE 2015**

**FINAL ACCOUNTS 2014/15**

<u>Report of the:</u>	Head of Financial Services
<u>Contact:</u>	Lee Duffy
<i>Urgent Decision?(yes/no)</i>	No
<i>If yes, reason urgent decision required:</i>	N/A
<u>Annexes/Appendices (attached):</u>	Draft Annual Governance Statement
<u>Other available papers (not attached):</u>	Final Accounts Working Papers 2014/15 Financial Statements 2014/15 Papers issued to all councillors on 29 May 2015: <ul style="list-style-type: none"><li>• General Fund Summary Position 2014/15</li><li>• Major Budget Variances 2014/15</li><li>• Capital Expenditure Position 2014/15</li></ul>

**REPORT SUMMARY**

This report summarises the Council's financial performance for 2014/15, seeks approval to the Annual Governance Statement for 2014/15 and notes the carry forward of capital provision for schemes where costs will be incurred in 2015/16.

<b><u>RECOMMENDATION (S)</u></b>	<i>Notes</i>
<b>That the Committee:-</b>  (1) <b>Receives the report on financial performance for 2014/15;</b>  (2) <b>Agrees the Annual Governance Statement attached as an <u>Annexe</u> to this report;</b>  (3) <b>Notes the carry forward £3,121,000 provision for capital schemes to be added to the 2015/16 capital programme;</b>  (4) <b>Agrees that the Capital Member Group reviews the level of commitment on all schemes carried forward as part of the capital programme review.</b>	

**1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 The revenue budget and capital programme comprise the resources available for the delivery of Council services.

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### 2 Introduction

- 2.1 Local Authorities are required to prepare a statement of accounts at the end of each financial year. In so doing authorities must comply with the Accounts and Audit Regulations and 'proper accounting practice' as defined in the 'Code of Practice on Local Authority Accounting in the United Kingdom'.
- 2.2 The Accounts and Audit (England) Regulations 2011 regulations require that the Financial Statements are signed / certified by the responsible financial officer (the Director of Finance and Resources) by 30 June each year. The statements must then be reported to and approved by committee and published by 30 September, together with the external audit report which should be available by that date.

### 3 General Fund Summary Position

- 3.1 In summary the final position for 2014/15 is: -  
General Fund Summary 2014/15

	Original Budget £'000	Current Approved * £'000	Actual £'000	Variance £'000
Strategy and Resources Committee	1,839	1,579	1,181	(398)
Capital charges	(2,083)	(2,894)	(2,894)	0
Environment Committee	2,744	3,327	2,859	(468)
Social Committee	2,308	2,428	3,123	695
Leisure Committee	3,226	3,594	3,803	209
<b>Total Net Expenditure</b>	<b>8,034</b>	<b>8,034</b>	<b>8,072</b>	<b>38</b>
<b>Funded by:</b>				
Collection fund precept	5,403	5,403	5,403	-
Revenue Support Grant	1,435	1,435	1,435	-
Share of Local Business Rates	1,280	1,280	1,280	-
Transfer from Collection Fund	(85)	(85)	(130)	45
<b>Total Funding (Budget Requirement)</b>	<b>8,033</b>	<b>8,033</b>	<b>7,988</b>	<b>45</b>
<b>Surplus (deficit) for the year</b>	<b>(1)</b>	<b>(1)</b>	<b>(84)</b>	<b>(83)</b>

*\* includes changes to employee and support services allocations and asset rental recharges from the original budget and reflects required changes in accounting practice.*

- 3.2 Information on the main variations within each policy committee was circulated to all Councillors on 29 May 2015. The following minor changes have been made to the circulated figures:-
- 3.2.1 The central overhead allocations have been finalised providing some changes between committee budgets but not significantly affecting the bottom line.
- 3.3 Net expenditure for the year is £83,000 more than the original budget. This will result in a contribution of £84,000 to be made from the General Fund Working Balance.

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3.4 The working balance was £3,333,000 at 31 March 2015, calculated as follows:-

	£'000
Working Balance b/f at 31 March 2014	3,417
Deficit on General Fund for 2014/15	(84)
<b>Working Balance as at 31 March 2015</b>	<b>3,333</b>

3.5 The final net expenditure for 2014/15 compares to the forecast position reported in Quarter 3, which anticipated a contribution from the working balance of £85,000.

3.6 The most significant adverse variances in 2014/15 are:

- Homelessness (£674,000) – The number of households requiring accommodation was budgeted at 34, however, this figure has risen significantly throughout the year and ended on 85 at the end of the 2014/15.
- Legal costs (£114,000) - Additional charges relating to properties and staffing.
- Salaries (£263,000): due to vacancy target not being fully achieved this year and additional expenditure within parking.

3.7 The most significant favourable variances in 2014/15 are from:

- Car Parking (£458,000) – This is due to increased income from car parks, car park permits and off street penalty charge notices throughout 2014/15.
- Development Control (£141,000) – A number of unanticipated applications were received in 2014/15 that resulted in income being higher than budgeted.

3.8 Most of the outturn variances were forecast at quarter three and have already been reflected in the preparation of the 2015/16 budget. The on-going impact of other variances is being considered to identify the impact for 2015/16 and where relevant be incorporated into budget planning for 2016/17.

## 4 Reserves

4.1 Transfers have been made to and from revenue and capital reserves and provisions in line with Council policy for the reserves and as approved for specific schemes during the year.

4.2 The following transfers have been made in preparing the draft accounts: -

4.2.1 **Insurance Reserve** - £63,000 was drawn from this reserve to finance individual claims. At the end of 2014/15 the balance on this reserve was £489,000

4.2.1 **Interest Equalisation Reserve** - £34,000 was transferred from this reserve to finance general fund services. The balance on this reserve at the end of 2014/15 is £631,000.

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- 4.2.2 **VAT Reserve** - £55,000 was transferred into this reserve from successful claims made against HMRC in this year. This reserve will be required to finance any charges made by HMRC for VAT claims. The balance on the VAT reserve as at the end of 2014/15 is £228,000
- 4.2.3 **Repairs and Renewals Reserve** – £88,000 was transferred out of this reserve to finance approved expenditure. Budgeted contributions were made into this reserve of £26,000. At the end of 2014/15 the balance of this reserve, stands at £690,000.
- 4.2.4 **Property Maintenance Reserve** – £31,000 of this reserve was used to fund backlog maintenance work this year. The balance on this reserve at the end of 2014/15 was £221,000.
- 4.2.5 **Corporate Projects Reserve** – contributions totalling £1,601,000 have been made from this reserve to finance authorised expenditure, including the Senior Management restructure and a contribution towards the cost of purchasing Upper High Street for temporary accommodation. A contribution of £1,052,000 has been made into this reserve from New Homes Bonus Grant. Further contributions into this reserve totalling £16,000 have been made relating to grants received from DCLG. The overall balance on this reserve at the end of 2014/15 is £392,000.
- 4.2.6 **Personalisation, Prevention & Partnership Reserve** - £180,000 for third year of grant funding has been transferred to this reserve; the monies received via Surrey County Council will finance projects that can demonstrate support for health and social care. £88,000 worth of projects has been financed from this reserve in 2014/15. The balance on this reserve at the end of 2014/15 is £383,000.
- 4.2.7 **Civic Investment Fund** – As agreed by S&R £30,000 has been transferred from this fund to finance civic investment and expenditure on economic vitality. The balance on this reserve at the end of 2014/15 is £45,000.
- 4.2.8 **Business Rates Equalisation Reserve** – £182,000 has been drawn from this reserve to finance the Council's share of the deficit on business rates. A contribution of £315,000 has been made to this reserve from refunds received for prior year car park appeals from business rates. The balance on this reserve as at 31/3/14 will be £904,000.
- 4.2.1 **CIL** – £612,000 of receipts have been transferred into this reserve for future part funding of revenue or capital projects.
- 4.3 A review of current balances held on revenue and capital reserves will be reported to the Financial Policy Panel on 8 September 2015.

## 5 Provisions

- 5.1 Part of the additional income from the recovery of housing benefit overpayments has been used to increase the bad debt provision for housing benefit overpayments due to the phased transfer of administration of benefits to central government under 'universal credit'. The outstanding debt as at the end of 2014/15 stands at £1.7 million. After making an additional net contribution of £421k to this provision this year, provision for bad debts stands at £1,164k, approximately 68% of the outstanding debt. The provision will be increased annually to reduce the risk of a shortfall when the transfer of the service is completed.

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- 5.2 This provision will continue to be strengthened to manage the risk that the Council cannot recover debts once claimants are transferred to the new Universal Credit Pension Fund.
- 5.3 Pensions have been treated within the statements in accordance with recommended financial reporting standards for local authorities, additional information on pension costs and liabilities are included within the Annexe in the notes to the Core Financial Statements (**Note 18**). The disclosure notes within the financial statements have been prepared in accordance with Financial Reporting Standard IAS 19. The net liability as at 31 March 2014 for accounting purposes is £31.1m compared to £28.1m at 31 March 2014. This does not comprise a full re-valuation of the fund.
- 5.4 The last valuation was in March 2013 and the next valuation will be carried out as at 31 March 2016.

## 6 Capital Expenditure 2014/15

- 6.1 A summary of the actual expenditure for each capital scheme was issued to all Councillors on 28 May 2015. In summary, expenditure in 2014/15 was as follows:-

Committee	Original Budget £000	Latest Budget * £'000	Actual £'000	Balance £'000
Strategy & Resources Committee	454	982	368	(614)
Environment Committee	93	391	238	(153)
Social Committee	980	2,580	2,035	(545)
Leisure Committee	150	2,931	758	(2,173)
Hospital Cluster	0	524	29	(495)
<b>Total</b>	<b>1,677</b>	<b>7,408</b>	<b>3,428</b>	<b>(3,980)</b>

*\* includes schemes rolled forward from 2013/14, the 2014/15 original programme plus new schemes approved during 2014/15*

- 6.2 The balance of £3.98 million in the above table includes capital schemes not yet delivered including the allocation of Section 106 planning gain funds for externally funded schemes. This is mainly due to the phasing of works to Ewell Court House which will now be completed in 2015/16, earmarked funding no longer required for the Hollymoor Lane project and difficulties in progressing schemes such as Horton Chapel and a change in completion date for work on car parks and IT.
- 6.3 The capital programme includes variances on a number of schemes where works have either been completed below the original estimate or where the scheme has not yet been completed, and project managers have requested that the provision be carried forward to 2015/16.
- 6.4 Provisions totalling £3,121,000 have been carried forward for schemes not completed in 2014/15, in line with Council approval on 17 February 2015, and a balance of £299,000 will be transferred back to capital reserves as savings. The level of commitment on schemes carried forward into 2015/16 will be examined by the Capital Member Group as part of the capital programme review.

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6.5 The financing of capital expenditure in 2014/15 is summarised below:

	<b>£'000</b>
Capital reserves	612
Capital Grants	255
Other Capital Contributions (includes S106 and revenue reserves)	2,561
<b>Total Capital Funding</b>	<b>3,428</b>

**7 Capital Receipts 2014/15**

7.1 Capital receipts for 2014/15 are summarised below:-

	<b>£'000</b>
General Fund Property Receipts 2014/15	10
<b>Total Capital Receipts</b>	<b>10</b>

7.2 The balance of capital reserves, grants and contributions unapplied as at 31 March 2015 subject to confirmation at audit, is as follows:-

<b>Reserves</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
General Fund Capital Reserves	4,101	3,499
Hospital Cluster Capital Reserves	613	584
<b>Total Capital Reserves</b>	<b>4,714</b>	<b>4,083</b>
S106 Contributions	3,205	3,040
<b>Total</b>	<b>7,919</b>	<b>7,123</b>

7.3 The Council has approved the disposal of a limited number of specific sites to generate capital receipts. A forecast for receipts from asset disposals was taken into account when the capital programme was reviewed by the Financial Policy Panel in December 2014.

7.4 The level of reserves will be re-assessed by the Capital Member Group during this year's capital programme review.

**8 Approval of Statement of Accounts**

8.1 The Accounts and Audit (England) Regulations 2011 require a local authority to ensure that a statement of accounts is prepared and published in accordance with the provisions of the regulations and proper accounting practice.

8.2 The draft Financial Statements have been prepared in accordance with the new Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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- 8.1 The Council must prepare, in accordance with proper practices, a statement of accounts for each year which includes the following:-
- An explanatory foreword;
  - A statement of accounting policies adopted, drawing attention to any changes of policy which have a significant effect on the results shown by the statement of accounts;
  - A statement of responsibilities for preparing the statements of accounts;
  - An annual governance statement;
  - A comprehensive income and expenditure statement;
  - A movement in reserves statement;
  - A balance sheet;
  - A cash flow statement;
  - The Collection Fund;
  - Other statements of the income and expenditure for funds which the Council is required by any statutory provision to keep a separate account;
- 8.2 At the time of writing this report, the Annual Governance Statement was due to be submitted to the Audit, Crime & Disorder and Scrutiny Committee on 23 June 2015. The draft governance statement is attached as an Annexe to this report and any amendments required following the meeting on 23 June will be reported verbally to this meeting in order for approval by this committee and inclusion in the Financial Statements.
- 8.3 The accounts will be signed by the Director of Finance and Resources by 30 June 2015, audited by the District Auditor and then submitted to this committee for approval on 29 September 2015.
- 8.4 A copy of the unaudited statements is available in the Members Room and will be made available on the web site from 30 Jun 2015.
- 8.5 **It would be helpful if any points of clarification on the accounts could be raised with the Director of Finance and Resources prior to the meeting.**

## 9 Risk Assessment and Conclusions

- 9.1 A risk assessment was included in the 2014/15 budget report. Monitoring arrangements during the year have allowed some corrective action to be taken on a number of budget variances, either during the year or as part of the Council's longer term service and financial planning.
- 9.2 An updated risk assessment was included in the 2015/16 budget report. Overall the final account position is broadly in line with what was anticipated when this risk assessment was completed in January. Further examination will however need to be carried out on any specific service where the financial position was worse than anticipated.

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9.3 Key points on the accounts for 2014/15 are as follows:-

9.3.1 The Council incurred increased costs on homelessness, legal support and salaries.

9.3.2 The Council achieved better than expected results on income from planning and parking. The extra income has been used to offset additional costs mentioned above.

9.3.3 Overall net expenditure for the Council exceeded budget, income was less than expenditure for the year resulting in a transfer of £75,000 needing to be made from the working balance.

9.3.4 The level of delivery on capital projects will be reviewed by the Capital Member Group.

9.4 Overall in 2014/15 the Council has maintained a prudent level of balances on revenue and capital reserves:-

	<b>31 March 2014</b> <b>£'000</b>	<b>31 March 2015</b> <b>£'000</b>
General Fund Working Balance	3,417	3,333
General Fund Provisions	6,919	6,342
CIL	0	612
<b>Revenue Total</b>	<b>10,336</b>	<b>10,287</b>
<b>Capital Reserves</b>	<b>4,100</b>	<b>3,491</b>

9.5 The Council faces a challenge to deliver future savings that will achieve a balanced budget with further substantial reductions in government grant expected.

9.6 The capital programme included a number of schemes where provision needs to be carried forward into 2015/16. Funding remains in place to allow completion of these schemes however the Capital Member Group should examine the reason for slippage on individual schemes as part of the capital programme review. There was no significant capital overspend in 2014/15.

9.7 The Financial Statements will be reported to this Committee for approval in September following the completion of the external audit.

9.8 The draft financial statements have been made available in the Members Room and will be placed on the Council's website.

**WARD(S) AFFECTED: N/A**