

2014/15 Statement of Accounts (SOA) Overview

[page references are shown which cross reference to the full SOA document also available on the T&W internet site]

- The communication of financial information is a key aspect of public accountability. The Statement of Accounts provides detail about the funds available to the Council and how they have been used to deliver services together with a snap-shot of the financial position as at 31 March i.e. the value of assets and liabilities at year end.

BACKGROUND

- The structure and content of the Statement of Accounts is determined by Government Legislation, Accounting Standards, including International Financial Reporting Standards, and the Chartered Institute of Public Finance & Accountancy (CIPFA) Guidance and Codes of Practice.
- The Statement of Accounts comprises:
 1. **Explanatory Foreword**
 2. **Statement of Responsibilities**
 3. **Annual Governance Statement**
 4. **Auditor's Report**
 5. **Movement in Reserves Statement**
 6. **Comprehensive Income & Expenditure Account**
 7. **Balance Sheet**
 8. **Cash Flow Statement**
 9. **Notes to the Accounts**
 10. **The Collection Fund Account**

KEY DATES

- Outturn report presented to Cabinet: 25 June 2015; Council 9 July 2015
- **Draft SOA presented to Audit Committee Members: 30 June 2015**
- Draft SOA available for Public Inspection for 20 working days: 2 – 29 July 2015
- **Start of External Audit: 6 July**
- Approval by Audit Committee: 15 Sept 2015
- **Final SOA published by 30 Sept 2015**

1. EXPLANATORY FOREWORD [pages 3 -19]

Provides an overview of the budget and financial context, highlights issues raised during the year and provides a summary of both the revenue and capital outturn positions for the Council.

Revenue Position			
	Budget £m	Outturn £m	Variation £m
Cabinet Report	129.234	128.089	-1.145
Funding Adjustment		-0.200	-0.200
Contribution from balances	-0.049	-0.049	0.000
Service Outturn [page 12 SOA]	129.185	127.840	-1.345
Council Tax, Govt. Grant and NDR	-129.185	-128.985	+0.200
	0	-1.145	-1.145

General & Special Fund Balances - £m	
Balances bwfd 1/4/14	3.224
Contribution to Balances	1.145
Balances cwfd 31/3/15	4.369

Capital - £m	
Approved Capital Programme	141.6
Outturn	115.3
Funded by:	
Borrowing	28.1
Capital Receipts	3.1
Grants	79.1
Other Sources	5.0
Total	115.3

2. STATEMENT OF RESONSIBILITIES & ANNUAL GOVERNANCE STATEMENT [page 20]

Sets out the responsibilities of the authority and the Chief Financial Officer in respect of the SOA; details the governance framework, systems of control and standards of conduct; reviews the effectiveness of governance arrangements and identifies actions to be implemented in 2015/16.

3. AUDITORS REPORT [page 29]

Provides independent assurance to Members that the SOA have been compiled in accordance with UK accountancy regulations and that they give a true and fair view of the financial position as at 31 March 2015. KPMG will present their own report to Audit Committee. An unqualified audit opinion is expected.

4. MOVEMENT IN RESERVES STATEMENT [page 32]

Shows the different reserves held by the authority, analysed into Usable reserves (those which could be used to fund expenditure) and Other Reserves (technical reserves and those where funds would not be immediately realisable e.g. revaluation reserve where assets would have to be sold to release the benefit).

Usable Reserves	£m	Other Reserves	£m
General/Special Fund Balance	4.369	Pension Reserve	(222.247)
Capital Grants Unapplied	8.929	Acc. Absence Reserve	(2.801)
Revenue Grants Unapplied	3.588	Capital Adjustment Account	213.094
Earmarked Service Reserves	39.496	Revaluation Reserve	51.085
School Balances	6.961	Collection Fund	4.352
		Other	(0.372)
Total Usable Reserves	63.343	Total Other Reserves	43.111
Total Reserves at 31 March 2015: £106.454			

5. COMPREHENSIVE INCOME & EXPENDITURE A/C [page 34]

This statement shows the cost of providing services, in accordance with Accountancy regulations, not the amount funded from taxation.

	£m
Surplus on I&E Account	(61.206)
Plus amounts included in I&E Account but which do not impact on the General Fund, such as Depreciation, Impairments and Capital Grants Applied	51.768
Plus amounts not included in I&E Account but which do impact on the General Fund, such as minimum revenue provision (MRP) and pensions	4.033
Plus Movement in reserves	4.260
Actual Contribution to General Fund Balances	(1.145)

6. BALANCE SHEET [page 35]

Shows the value of assets and liabilities at 31 March.

Assets	£m	Liabilities	£m
Property, Plant & Equipment	483.852	Borrowing	116.613
Investment Properties	59.329	Creditors	64.166
Intangible Assets	2.065	Pensions Liability	222.247
Assets Held for Sale	14.468	PFI/Finance Leases	56.488
Debtors	20.320	Provisions	19.053
Other Current Assets	4.987	Other	
Total Assets	585.021	Total Liabilities	478.567
Total Net Assets at 31 March 2015: £106.454m			

7. CASHFLOW STATEMENT [page 36]

Shows cash inflows and outflows during the year.

8. NOTES TO THE ACCOUNTS [page 37]

60 notes providing further information to support the figures in the financial statements.
[listed in contents on page 1]

9. COLLECTION FUND [page 103]

Required by statute for billing authorities; records transactions relating to business rates and council tax income and payments to this Council, the Parishes, Police

PENSIONS [notes 12 and 13, page 54)

The Council participates in 3 pension schemes: the Local Government Pension Scheme, the National Health Service Pension Scheme and the Teachers Pension scheme.

The pension fund assets and liabilities of the National Health Service and Teachers schemes cannot be attributed to individual authorities and the Council is not therefore required to disclose detailed information relating to these.

The Local Government Pension Scheme (LGPS) is a Defined Benefit Scheme which is administered by Shropshire Pension Fund and detailed disclosures are available and shown in the accounts.

Both the Council and employees pay contributions into the LGPS fund, calculated at a level intended to balance the pension liabilities with pension assets. There is an actuarial evaluation of the fund undertaken every 3 years which determines the council's contribution. Following the valuation at 31/3/13 the contribution rate was set at 12.6% for 2014/15, supplemented with a lump sum payment, giving an estimated combined rate of 16.4%.

The Council's assets and liabilities relating to the LGPS at 31 March 2015 were:

	£'000
Total Present Value of Benefit Obligations	(644,054)
Fair Value of Pension Fund Assets	421,807
Deficit on Fund at 31/3/15	(222,247)
Deficit on Fund at 31/3/14	(150,183)
Increase in deficit	72,064

The increase in the deficit is a result of remeasurements of liabilities (due to changes in assumptions).

The fund valuation is very sensitive to actuarial assumptions.

The cost charged to the Income and Expenditure account is not the employer contribution rate but an amount provided by the actuaries which takes into account the additional cost of pension obligations earned at 31 March – the principle being that local authorities must account for retirement benefits when they are committed to giving them.

INVESTMENTS AND BORROWING [Bal Sheet, page 35; notes 23 (p69) and 24 (p75)]

Balance Sheet – 31 March 2015

	£'000	
Investments		
Long Term Investments	33	Historical investment
Cash Equivalent	3,745	Call Accounts
Total Investments	3,778	
Borrowing		
Long Term Borrowing	87,520	PWLB and Money Market Loans (LOBOS)
Short Term Borrowing	29,093	Temporary Borrowing and PWLB < 1 year
Total Borrowing	116,613	
Net Indebtedness	112,835	

Risks Arising from Financial Instruments

- Credit Risk – independent ratings used; £20m threshold on balances invested with one institution
- Liquidity Risk – access to funds via PWLB; maturity profile reviewed; no more than 20% of loans to mature within any rolling 3 year period
- Market Risk – interest rate risk; a rise in interest will affect variable borrowing and investments; variable rate borrowing will not exceed variable rate investments; a 1% change in interest rates would have the impact of £253k on the revenue budget (at 31 March)

FIXED ASSETS [Balance Sheet notes 14 (p60), 15 (p64), 16 (p65) 17 (p65)]

Balance Sheet – 31 March 2015

	£'000	
Property, Plant & Equipment	483,852	Schools, Operational Buildings and Infrastructure
Investment Properties	59,329	Property Investment Portfolio
Intangible Assets	2,065	Software
Assets Held for Sale	14,468	Properties being actively marketed expected to sell within 12 months.
Total Fixed Assets	559,714	

Assets increase each year due to capital expenditure and upward revaluations. Reductions as a result of disposals, writing down of schools assets as a result of trust and academy status, impairments and depreciation. The net movement on assets for 2014/15 was an increase of £75.7m.

Schools Assets – the assessment method for whether schools should be shown on the balance sheet has changed. This has brought Foundations and Voluntary Controlled schools back onto the Council's balance sheet which has increased Property, Plant & Equipment by £56.4m (at 31/3/14).

Forthcoming changes to the accounts that will have an impact on assets

Highways Assets – at present only the more recent capital spend has been included in the valuation of Highways assets. From 2016/17 all highways assets (carriageways, structures, street lighting, street furniture and traffic management equipment) will be included on the balance sheet at depreciated replacement cost. Initial estimates place the value of these assets at around £1,225m, even higher if highways land is included. This is a considerable increase in the value of our fixed assets.