



The audit of the accounts has been undertaken in accordance with the statutory framework established by section 5 of the Audit Commission Act 1998 for England, by the Council's external auditors, Grant Thornton UK LLP.

Clearly there is an issue raised by Grant Thornton in relation to the statutory override for the pension liabilities of Strata Service Solutions Ltd which is yet to be resolved.

## **7. Monitoring Officer Comments:**

It was agreed at the time of setting up Strata Service Solutions Ltd that any legal advice to the Company will be provided by the Teignbridge District Council's in-house legal team. The Monitoring Officer now considers that they will have to scrutinise any legal advice received since each authority needs to be satisfied with the approach it takes in order to resolve the issue regarding pensions.

## **8. Report Details:**

### **STATEMENT OF ACCOUNTS 2014-15**

The purpose of a local authority's published Statement of Accounts is to give electors, those subject to locally levied taxes and charges, members of the authority, employees and other interested parties clear information about the authority's finances.

Information contained in the Statement of Accounts will be consolidated into the Whole of Government Accounts.

### **8.1 Presentation of the Statement of Accounts**

The Code of Practice on Local Authority Accounting provides guidance on the format and content of the Statement of Accounts and means that they have to conform to a national standard. In presentational terms the Statement of Accounts will differ from the Council's own management accounts and budget monitoring information circulated to Members.

### **8.2 Main Changes to the Accounts**

The key accounting changes affecting the Statement of Accounts for 2014-15 are:

- **Group Accounting**

The Code of Practice on Local Authority Accounting introduced a new suite of standards for subsidiaries, associates and joint arrangements. This prompted a thorough review of the Council's Group Accounts, which comprised Exeter Canal and Quay Trust, Exeter Business Centre and Exeter Science Park Limited.

As a result of this work, it was concluded that Group Accounts were not required for 2014-15 as Exeter Canal and Quay Trust is no longer deemed to be a subsidiary. The remaining interests in Exeter Business Centre and the Exeter Science Park Limited are not considered to be material to the financial statements of the Council.

- **Strata Service Solutions Limited**

Exeter City Council, Teignbridge District Council and East Devon District Council each share control of Strata Service Solutions Ltd; a Company formed for the

provision of a shared Information Communications Technology service. The Company became operational from 1 November 2014.

In accordance with accounting standards, the new Company is deemed to be a joint operation as it has been set up exclusively for the provision of services to the three authorities and decisions need to be made collectively and unanimously. Each authority is therefore required to recognise its own share of the assets, liabilities, revenue and expenses pertaining to Strata Service Solutions in its financial statements (35.936% for Exeter City Council).

- **Transport Infrastructure Assets**

From 2016-17 local authorities will be required to amend the measurement basis of their transport infrastructure assets. In preparation of this change, a review of the Council's infrastructure assets was undertaken and this resulted in the removal of assets with a carrying value of £2.2 million from the Council's Balance Sheet as the Council does not have legal title or significant risks and rewards of ownership.

- **Property, Plant and Equipment**

Revaluations of property, plant and equipment must be undertaken sufficiently regular in order to ensure the value of assets reported in the Balance Sheet are not materially different from the amount that would be given by a full valuation carried out on 31 March each year. In order to help meet this requirement the Council moved to a rolling programme of revaluations, whereby 20% of property, plant and equipment are fully re-valued each year, rather than a full revaluation every 5 years.

The valuation basis for council garages was also amended in accordance with accounting guidance. This resulted in their carrying value increasing by £2.6 million.

- **De-cluttering Exercise**

In conjunction with our external auditors, Grant Thornton, work was undertaken to de-clutter the accounts which has resulted in the removal of any duplication and immaterial notes within the accounts.

### 8.3 Audit Findings

At the time of writing, the findings of our external auditors are as follows:

- **Unadjusted Finding**

As explained in paragraph 8.2, the Council has reflected its share of the assets, liabilities, income and expenditure of Strata Service Solutions Ltd in its financial statements. In doing so, the Council applied the statutory override to its share of Strata's pension liabilities as well as to those of the Council itself. Our external auditors do not support this treatment.

The three owners; Exeter City Council, Teignbridge District Council and East Devon District Council are seeking legal advice. In the mean time, this remains unadjusted.

- **Prior Period Adjustment**

Two prior period adjustments were made to the accounts in respect of the removal of infrastructure assets and revaluation of council garages. Rather than

adjusting the 2013-14 comparatives, it was necessary to prepare a third Balance Sheet in order to correct the errors in an earlier reporting period and update the opening balances for 2013-14 instead. This has been reflected in the final set of financial statements.

- **Disclosures**

A number of disclosure changes were identified, which have been rectified. Most notably, the disclosure note in respect of officer remuneration has been updated to include redundancy packages.

Further minor changes have been made to the disclosure notes relating to; short term debtors, Housing Revenue Account capital receipts, finance leases, property, plant and equipment revaluations and grant income.

- **Presentational**

A number of presentational issues were identified, which have been rectified. These include spelling and casting amendments.

Overall, the amendments to date have had no impact on either the General Fund balance or the Housing Revenue Account balance, which remain as reported to Council in July. The overall financial performance of the Council for 2014-15 was reported to Executive on 14 July 2015 and to Council on 28 July 2015.

**9. How does the decision contribute to the Council's Corporate Plan?**

The Statement of Accounts set out the financial position at the end of the 2014-15 and the transactions of the Council during 2014-15, both of which help underpin delivery of the Corporate Plan.

**10. What risks are there and how can they be reduced?**

The risks relate to overspending the Council budget and are mitigated by regular reporting to the Strategic Management Team and Members. There is also a risk of failing to implement key accounting changes in accordance with approved accounting standards, but this is mitigated by the external audit of the Statement of Accounts.

**11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?**

No impact

**12. Are there any other options?**

No

**Assistant Director Finance**

**Local Government (Access to Information) Act 1972 (as amended)**

**Background papers used in compiling this report:**

None

Contact for enquiries:  
Democratic Services (Committees)

Room 2.3  
(01392) 265275