

Financial Statements for the year ended 31 March 2014**Report by Gary Fairley, Head of Finance and Integrated Service Support****1 Purpose of Report**

The purpose of this report is to provide Council with a brief overview of the changes made during the audit process to the Council's Financial Statements for 2013/14. The audited accounts have been circulated to members.

2 Background

In accordance with regulation 6(1) of the Local Authority Accounts (Scotland) regulations 1985 (as amended) the audited Financial Statements for the year ended 31 March 2014 are today laid before Council.

2.1 Changes to Accounts through Audit Process

There are no qualifications to the Financial Statements. Grant Thornton, the Council's external auditors, presented their report on the 2013/14 Annual Accounts Audit to Audit Committee on 16th September 2014. The main findings during the audit were:

- An amendment to the value of the Council's Housing stock. A complete stock valuation was scheduled for 2015 in accordance with the Council's five year rolling programme of valuations. However, a change to the Accounting code requires Local Authorities to demonstrate that the carrying value of assets does not differ significantly to fair value. In the case of the Council's Housing stock built since the last full valuation in 2011 fair value was calculated as being £74.5 million less than carrying value. Consequently the Financial Statements were revised to reflect this;
- Adjustments to the value of Newbattle High School and to land values in Public Private Partnership run schools. The net impact of these was a reduction in the value of non current assets of £8.548 million;
- A change to the accounting treatment for the deferred element of the capital receipt for the Mauricewood site (£2.1 million) which is now reflected in the Financial Statements in the Capital Fund rather than being shown as a long term liability;
- A revision to the timing of the Lothian Buses revaluation meaning the whole revaluation is shown in 2013/14;
- A revision to the treatment of the Effective Interest rate applicable to Lender Option Borrower Options (LOBOs) which reduced

interest payable by £0.637 million with the corresponding adjustment shown in the Movement in Reserves Statement.

None of the changes identified above, or indeed any of the other more minor presentational changes made during the audit process, result in a change to the financial performance from that presented in the unaudited accounts laid before Council on 24th June.

The General Fund Balance at the 31st March 2014 was £20.511 million of which £8.547 million was earmarked for specific purposes and the Housing Revenue Account balance was £18.374 million.

3 Report Implications

3.1 Resource

Whilst this report deals with financial issues there are no financial implications arising directly from it.

3.2 Risk

Section 95 of the Local Government (Scotland) Act 1973 requires all Local Authorities in Scotland to have adequate systems and controls in place to ensure the proper administration of their financial affairs. The Council's Standing Orders and Financial Regulations detail the responsibilities of members and officers in relation to the conduct of the Council's financial affairs.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☐ Sustainable growth
- ☐ Business transformation and Best Value
- ☒ None of the above

3.4 Impact on Performance and Outcomes

The proposals in this report do not directly impact on performance or outcomes.

3.5 Adopting a Preventative Approach

The proposals in this report do not directly impact on the adoption of a preventative approach.

3.6 Involving Communities and Other Stakeholders

No consultation was required.

3.7 Ensuring Equalities

There are no equality implications arising directly from this report.

3.8 Supporting Sustainable Development

There are no sustainability issues arising from this report.

3.9 IT Issues

There are no IT implications arising from this report.

4 Recommendations

It is recommended that Council endorse the contents of this report.

2nd December 2014

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Background Papers:

Declaration Box

Instructions: This box must be completed by the author of the report. The box will be copied and saved by the Council Secretariat who will delete it from the report prior to photocopying the agenda.

Title of Report: Financial Statements for the year ended 31st March 2014

Meeting Presented to: Midlothian Council

Author of Report: Gary Fairley, Head of Finance and Human Resources

I confirm that I have undertaken the following actions before submitting this report to the Council Secretariat (Check boxes to confirm):-

- ☒ *All resource implications have been addressed. Any financial and HR implications have been approved by the Head of Finance and Human Resources.*
- ☒ *All risk implications have been addressed.*
- ☒ *All other report implications have been addressed.*
- ☒ *My Director has endorsed the report for submission to the Council Secretariat.*

For Cabinet reports, please advise the Council Secretariat if the report has an education interest. This will allow the report to be located on the Cabinet agenda among the items in which the Religious Representatives are entitled to participate.

Likewise, please advise the Council Secretariat if any report for Midlothian Council has an education interest. The Religious Representatives are currently entitled to attend meetings of the Council in a non-voting observer capacity, but with the right to speak (but not vote) on any education matter under consideration, subject always to observing the authority of the Chair.