

20 SEPTEMBER 2016

REPORT OF HEAD OF CENTRAL SERVICES

STATEMENT OF ACCOUNTS 2015-16

1.0 THE PURPOSE OF THE REPORT

1.1 The purpose of this report is to submit the Statement of Accounts for 2015-16 for approval which have been prepared in accordance with the Accounts and Audit Regulations 2015 and inform the Committee of the key issues within the accounts. The draft of these accounts was previously presented to the Policy & Financial Affairs (PFA) Committee on 12 July 2016.

2.0 RECOMMENDATIONS

It is recommended that:

2.1 The Statement of Accounts for 2015-16 be approved and signed by the Chairperson.

3.0 BACKGROUND

3.1 The Accounts and Audit Regulations 2015 (the Regulations) require a Statement of Accounts to be produced and approved by the appropriate committee. For the financial year 2015-16 this approval must be by 30 September 2016 although it is considered to be good practice to submit these as early as possible. It is still a requirement of the regulations that the accounts have to be signed off by the Section 151 Officer by 30 June 2016. The accounts must also be published by 30 September 2016 and were available for public inspection for a 30 day period which included the first 10 days in July.

3.2 The format of the accounts is largely governed by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) guidance notes produced for Local Authority Accounts by the Chartered Institute of Public Finance & Accountancy (CIPFA).

3.3 The Regulations require the person presiding at the Governance committee at which the accounts are approved in September to sign and date the Statement of Accounts.

3.4 FUTURE CONSIDERATIONS

3.4.1 The Local Audit & Accountability Act 2014 requires that Local Authorities publish an audited copy of their statement of accounts by 31 July from 2017-18 instead of the current date of 30 September. This therefore requires authorities to sign off the unaudited accounts by 31 May instead of 30 June. We have this year continued to shorten the closedown period and achieved the accounts availability for sign-off on 31 May 2016 – 2 years earlier than required.

3.4.2 There is still work to do to ensure this early closedown is achieved every year and it will continue to be necessary to rely on the increased use of estimates in the final accounts, this has two potential consequences;

- That there will be an increase in the amount of post-audit amendments; and
- That there will be a knock-on effect into the following financial year if estimates of accruals are not as accurate.

3.5 In addition, 2015-16 is the first year that Ernst & Young audited the authority's accounts and other submissions.

4.0 **KEY ISSUES**

4.1 The Statement of Accounts essentially shows the year end revenue and capital position in a prescribed format as required by the Code. A report considering the General Fund (GF) and Housing Revenue Account (HRA) position in comparison to the budget was reported to PFA on 12 July 2016. The provisional HRA year end position was also reported to a meeting of the Community & Social Affairs Committee on 22 June 2016. Key points to note in relation to the Balance Sheet summarising the Council's assets and liabilities at the 31 March 2016 are set out in the following paragraphs. Following the audit of the accounts some changes were made, but the figures reported are still substantially similar to those previously reported to PFA on 12 July 2016. The report at item 7 to this committee is from our external auditor and makes reference to these accounts.

4.1.2 On page 16 of the Statement, a change has been made to our Accounting Policy note regarding asset measurement, incorporating the use of nominal values to some of our community assets.

4.2 **REVENUE AND CAPITAL ACCOUNTS**

4.2.1 The service classification within the Comprehensive Income and Expenditure Statement (shown on page 5 of the Statement of Accounts) is presented in line with CIPFA's Best Value Accounting Code of Practice and is therefore not directly comparable with the format of the Council's budget. The segmental reporting requirements, however, do report on significant elements of the Council's budget.

4.2.2 The narrative statement provided separately to the Statement of Accounts compares the final year end position against the original budget approved in February 2015. The revenue and capital position compared to budget were also taken to PFA on 12 July.

4.3 **NARRATIVE STATEMENT**

4.3.1 A new requirement of the Regulations is that the Council must prepare a narrative statement to include a comment on its financial performance and its economy, efficiency and effectiveness in its use of resources over the financial year. The narrative statement is attached at appendix B for information. The financial information previously contained within the Explanatory Forward in the Statement of Accounts is now included in the narrative statement.

4.4 **BALANCE SHEET**

4.4.1 Closer analysis of the Balance Sheet tells us, for example, the Council's position on reserves whether past capital expenditure is financed or subject to borrowing arrangements, explains whether money owed to the Council exceeds money owed by it and explains what resources the Council has to invest. However, it should be noted that the figures shown in the Balance Sheet are a snapshot taken on one day i.e. 31 March 2016.

Working Balance and Reserves

a) The balance on the Corporate Priorities Reserve has increased from £2,003k at 1 April 2015 to £2,507k at 31 March 2016. The balance on the General Reserve for Special Expenses (MM) for the same period has reduced from £374k to £236k. For Special Expenses (MM) the working balance has remained at £50k being its approved level as approved by Full Council on 10 February 2016. For General Expenses the working

balance has reduced to £640k as approved by the same meeting. The level of reserves will be adjusted in 2016-17 in order to reflect the carry forward of both capital and revenue budget underspends from 2015-16 and the estimated position on the reserves was reported to PFA on 12 July 2016. At that same committee it was agreed that the increased balance on the Corporate Priorities Reserve be used to create a Spending Pressure Reserve in 2016/17, this will remain at the same amount as reported to that committee.

- b) The working balance on the HRA has increased from £1,120k at 1 April 2015 to £1,459k at 31 March 2016. This is in excess of the minimum level of £750k for 2015-16 as recommended in the Council's Medium Term Financial Strategy (MTFS).

Capital Financing Requirement

- a) An analysis of the Balance Sheet allows us to determine whether the actual amount of borrowing during the year for capital purposes is significantly different from the Capital Financing Requirement (CFR). The CFR represents the amount of borrowing required to fund capital expenditure after utilising all other funds available e.g. capital receipts, capital grants, capital and revenue contributions, etc. The following table indicates that the Council's actual borrowing was within the level of the CFR:

Analysis of Balance Sheet	31-Mar-15 £'000	31-Mar-16 £'000
Fixed Assets	92,170	97,781
Less Financing to date	-60,535	-66,159
CFR (Borrowing Requirement)	31,635	31,622
Less Long Term Borrowing	-31,534	-31,534
Under Borrowing	101	88

- b) The net borrowing at the balance sheet date should not exceed the CFR, and at the 31 March 2016 was below that figure due to a small amount of internal borrowing. No new borrowing has been taken out in the year.

Debtors and Creditors

- a) The table below illustrates that there is a continued excess of debtors at 31 March 2016 (money owed to the Council) over creditors (money owed by the Council). For a healthy cash flow position the ideal scenario would be for the Balance Sheet to show an excess of creditors over debtors. This therefore shows a very slight decrease in performance over the previous year. However, as mentioned above, the figures shown in the Balance Sheet are a snapshot at 31 March. It can be more useful to make comparisons over time hence the previous year's figures shown. The main reasons for the change in both the short term creditors figure and the short term debtors figure is explained below:

- At 31 March 2015 the Council Tax preceptor debtors were reduced by £253k which was due to the reduced balances on the Collection Fund, partially due to the reduced arrears. The Business Rate Retention Scheme preceptor creditor balances were reduced by £71k, again due to reduced collection fund balances partially caused by the movement to the appeal provision.
- The provision relating to the Council's share of outstanding business rates appeals has increased by £158k.
- There is a general decrease in the figure for capital creditors of £371k, a decrease in the sundry creditors (including reserved creditors) of £891k and a decrease in the sundry debtors of £604k. There are a large number of transactions that make up these figures.

- The provision for doubtful debt was decreased by £44k which is linked to the decrease in sundry debtors above.
- The VAT debtor has increased by £135k, this is due to the number of invoices processed in period 12 and includes a number of capital amounts.
- The remainder is a mixture of smaller movements on other debtor and creditor balances.

Analysis of Balance Sheet	31-Mar-15 £'000	31-Mar-16 £'000
Creditors & Provisions	4,337	3,080
Less:		
Stocks and Work in Progress	0	0
Long Term Debtors	0	0
Short Term Debtors	5,136	4,512
Excess of Debtors over Creditors (-)	-799	-1,432

Cash Resources

- a) The following table shows that where there have been cash resources available that these have been invested either internally or externally in order to both maximise the Council's income from interest receipts or reduce interest paid. The previous year has been included for comparison purposes.

Analysis of Balance Sheet	31-Mar-15 £'000	31-Mar-16 £'000
Cash Resources:		
- Useable Capital Receipts & Contributions	6,353	6,117
- Earmarked Reserves	8,885	10,664
- Balances	1,984	2,143
Funds Available for Investment	17,222	18,924
Excess of Debtors over Creditors	-799	-1,432
Resources / Cash Available for Investment	16,423	17,492
Cash & Cash Equivalents	16,662	17,454
Excess (-) / Deficit of Investments over Resources	-239	38

The Council is continuing, at the Balance Sheet date, to maximise its funds available.

4.5 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

At this stage the Comprehensive Income & Expenditure Statement contains a figure of £2,635 within an Exceptional Item line. This figure is due to an unexpected imbalance on this account, however, due to roundings and the minimal nature of the amount it does not show on the face of the statement. Further investigation has been undertaken, including during the audit of the accounts, and the cause of this imbalance has not been revealed.

5.0 POLICY AND CORPORATE IMPLICATIONS

- 5.1 The Statement of Accounts is a corporate document. The Statement of Accounts (subject to audit) has been advertised as available for public inspection and the auditors available to answer questions. Now that the audit has been completed the audited accounts, the narrative statement and the annual governance statement are in the process of being advertised on the Council's website by 30 September and are available for purchase.

6.0 **FINANCIAL & OTHER RESOURCE IMPLICATIONS**

6.1 There are no further financial and resource implications other than those identified above.

7.0 **LEGAL IMPLICATIONS/POWERS**

7.1 As set out above the requirements covering the arrangements for the production, approval and publication of the Statement of Accounts is governed by the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014.

8.0 **COMMUNITY SAFETY**

8.1 There are no direct community issues arising from this report.

9.0 **EQUALITIES**

9.1 There are no direct equality issues arising from this report.

10.0 **RISKS**

10.1 There is a risk that the accounts will not be signed off by the auditors as a result of errors; however, every effort has been made to ensure the accuracy of the Statements.

11.0 **CLIMATE CHANGE**

11.1 There are no climate change issues arising from this report.

12.0 **CONSULTATION**

12.1 The Council's external auditors have been consulted in preparing the Statement of Accounts.

12.2 The public are provided with an opportunity to question the auditor on the accounts (see also paragraph 5.1).

13.0 **WARDS AFFECTED**

13.1 All wards are indirectly affected.

Contact Officer: Carol King

Date: 2 September 2016

Appendices: Appendix A - Statement of Accounts 2015-16
Appendix B – Narrative Statement

Background Papers: Final Accounts Working Papers
CIPFA Code

Reference: X: C'tees, Council & Sub-C'tees/Governance/2016-17/20-09-16/DG-Statement of Accounts