

AUDIT COMMITTEE	AGENDA ITEM NO: 6
29 JUNE 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources Portfolio Holder, Cllr Seaton	
Committee Member(s) responsible:	Councillor Fuller, Chair of Audit Committee	
Contact Officer(s):	John Harrison, Corporate Director: Resources Steven Pilsworth, Service Director Financial Services	Tel. 452398 Tel. 384564

DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

R E C O M M E N D A T I O N S	
FROM : Corporate Director: Resources	Deadline date : 30 June 2016; statutory deadline for CFO to approve Accounts
1. For members to review and comment on the draft Statement of Accounts prior to the Chief Finance Officer's certification by the 30 June 2016.	

1. ORIGIN OF REPORT

This report forms part of the regular pattern of reporting on the Council's financial position.

2. PURPOSE AND REASON FOR REPORT

- 2.1. The Council is required to prepare a Statement of Accounts each financial year, and it must be prepared in accordance with statutory timelines and accounting practices. Since 2010/11 those accounting practices have been based on International Financial Reporting Standards (IFRS) which facilitate the production of accounts in a standardised and consistent format across all industries, public and private sectors, providing greater transparency to all stakeholders.
- 2.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) set out the accounting practices in the 2015/16 Code of Practice (the Code) and are followed in the preparation of the 2015/16 Statement of Accounts.
- 2.3. The 2015/16 Statement of Accounts is the first set of accounts to meet the requirements and timeline for approval as contained in the Accounts and Audit Regulations 2015.
- 2.4. Legislation requires the Council to consider and approve its Accounts at a meeting of either full Council or a Committee of the Council. The Council's Constitution delegates this matter to the Audit Committee.
- 2.5. This is in accordance with the Committees Terms of Reference – 2.2.1.18 to review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

- 2.6. The Accounts must be signed and certified by 30 June 2016 by the Council's Section 151 officer / Chief Finance Officer (Corporate Director Resources), in accordance with the Accounts and Audit Regulations 2015. The Council's Section 151 officer has responsibility for certifying that the Accounts present fairly, the financial position of the Council at 31 March 2016.
- 2.7. The Audit Committee is required to approve the Accounts no later than 30 September 2016 following, and in the knowledge of, the audit findings.
- 2.8. The Finance team will continue to review the accounts after Committee agenda despatch, working towards the CFO certification. If any substantial changes are needed to the Accounts, then an update will be provided to Committee at the meeting.

3. **TIMESCALE**

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	Not applicable
---	-----------	---	----------------

4. **KEY POINTS**

- 4.1. The 2015/16 draft Statement of Accounts is shown in Appendix 1.
- 4.2. The presentation of the draft Statement of Accounts provides Audit Committee the opportunity to review the accounts and ask relevant questions so that they are better informed before being asked to formally approve the audited accounts at the September Audit Committee meeting.
- 4.3. Whilst under regulations the Council's Audit Committee is no longer required to approve the accounts prior to audit, the Council considers it is good practice for Members to review and comment on the accounts prior to the Chief Financial Officer's (CFO) certification.

Format of the Accounts

- 4.4. The format of the Statement of Accounts differs from the Council's presentation of financial information for the purposes of managing both its revenue and capital budgets – see agenda item 'Budget Monitoring Report Final Outturn 2015 / 2016'. This is in order to conform to CIPFA's Service Reporting Code of Practice for Local Authority Accounts and the Code. The individual financial statements, along with the notes that accompany them, aim to give a full and clear picture of the financial position of the Council.
- 4.5. The key contents of the various sections are as follows:
 - *Narrative Report* - provides a fair, balanced and understandable guide (previously known as the Explanatory Foreword);
 - *Statement of Responsibilities* – sets out the responsibilities of the Council and the chief financial officer in respect of the Statement of Accounts;
 - *Comprehensive Income and Expenditure Statement* – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation;
 - *Movement in Reserves Statement* – this statement shows the movement in the year on the different reserves held by the Council;

- *Balance Sheet* – shows the value of the assets and liabilities recognised by the Council as at 31 March 2016;
- *Cash Flow Statement* – summarises the inflows and outflows of cash, and cash equivalents, arising from transactions with third parties for both revenue and capital purposes in 2015/16;
- *Notes to the Financial Statements* - the various statements are supported by technical *Notes* and by the *Statement of Accounting Policies*;
- *The Collection Fund & Notes* – shows the transactions of the Council in relation to Council Tax and Non-Domestic Rates;
- *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council; and
- *Annual Governance Statement* – identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded. This statement is an item on this meeting agenda and therefore subject to change, consequently it will be included in the audited accounts, published by 30 September 2016, following its approval.

Comprehensive Income and Expenditure Statement

- 4.6. This statement shows the Council's activities and summarises the resources generated, consumed or set aside. It is presented in accordance with the Service Reporting Code of Practice (SeRCOP) to enable comparability between other local authorities and not the Council's organisational structure.

Balance Sheet at 31 March 2016

- 4.7. The Statement of Accounts includes a Balance Sheet that sets out the net worth of the Council at 31 March 2016 with the comparative figures for 31 March 2015. The Balance Sheet shows the assets and liabilities of the Council which are matched by the reserves held by the Council. The following paragraphs give a high level indication of the reason for movements between years.
- 4.8. Current assets have increased by £21.0m, the majority of this movement is the increase in Short Term Debtors (money owed to the Council) by £15.2m and Cash and Cash Equivalents of £11.6m. The former balance reflects the loans the Council has outstanding and are due to be repaid within the year, specifically loans with Empower Community Scheme of £5.6m and one of the loans as provided in the Local Authority Mortgage Scheme of £1.0m, as well as an increase in general debtors of £4.4m, and an increased balance for Section 106 of £1.9m. The balance movement relating to Cash and Cash Equivalents reflects the balance of cash at the 31 March 2016 and short term investments that are due to be repaid within three months of the 31 March 2016.
- 4.9. Long Term Liabilities have increased by £15.9m. This has resulted from a combination of additional borrowing undertaken to support the Council's capital investment programme, and to cover short term cash flow fluctuations only, of £51.4m. This has been offset by a reduction in the Pensions Liability of £39.7m. This is a result of a decrease in the assessed value of scheme liabilities as a lower value is placed on benefits that will be paid in the future.

Reserves and Balances

- 4.10. As reported to Council in March 2016, the Corporate Director Resources is charged with considering the level of Reserves and Balances required by the Council and making recommendations as to the adequacy of the amounts held. The closing balance for the General Fund for 2015/16 remains at £6.0m which is consistent with Medium Term Financial Strategy (MTFS).
- 4.11. Reserves are split into two categories; unusable and useable reserves. Unusable reserves are those reserves that absorb the timing differences arising from different accounting arrangements eg Pensions Fund reserve. Useable reserves are those reserves that can be applied to fund expenditure or reduce local taxation. However, the Council is restricted in the use of some of the useable reserves such as school balances that can only be spent by schools and capital grants unapplied account which can only be used to finance the Capital Programme.
- 4.12. The total reserves have moved by £11.6m. The largest movement is in Unusable Reserves which contains both the Pensions Reserve and the Capital Adjustment Account.
- 4.13. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. As a result this reserve matches the pension liability as detailed in 4.9 and thus this reserve has increased by the same £39.7m.
- 4.14. The Capital Adjustment Account, which has decreased by £34.1m, reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. Charges such as depreciation and impairment were greater than the capital receipts and grants income for the year.
- 4.15. Earmarked Reserves are detailed in Note 17 and show the movements during the year and the balances at 31 March 2016. The Outturn report provides further detail of the movements in 2015/16, see other agenda item for this report.

Schools

- 4.16. Details on Schools Balances are shown in Note 16 to the Statements in the Accounts. This shows that there was a net decrease in School Balances during 2015/16 of £0.1m from £6.3m to £6.2m.

Next Steps - approval, signing, inspection and audit

- 4.17. The revised Accounts and Audit Regulations 2015, include the following for the approval and publication of the annual accounts:
- the responsible financial officer must certify the presentation of the annual accounts no later than the 30 June 2016;
 - the annual accounts must be published with the audit opinion and certificate, and before that must have been approved by members no later than 30 September 2016; and
 - the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given.

- 4.18. The Accounts and Audit Regulations 2015 also requires all Councils to have a common 30 day public inspection period which includes the first 10 working days in July. The aim of this is to ensure greater transparency and give stakeholders sufficient notice of the period in which they can inspect the accounts. For the Council period of public inspection, for the Council's accounts and supporting documentation, will run from the 1 July 2016 to 11 August 2016. The period of public inspection has increased from 20 to 30 working days and runs concurrently with the period whereby a local government elector may raise questions or objections to the External Auditor.
- 4.19. At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2015/16. This will be considered at the Audit Committee meeting on 22 September 2016.

5. CONSULTATION

No external consultation, other than with the Council's External Auditors, EY, is taking place. However, the accounts are open to public inspection, see point 4.18.

6. ANTICIPATED OUTCOMES

As set out in the report.

7. REASONS FOR RECOMMENDATIONS

The Accounts and Audit Regulations 2015 require that the Statements of Accounts be prepared to include the statements set out in Regulation 7 and that the signing and approval of the Accounts be undertaken as set out at Regulation 9 of those regulations. Approval of the Accounts is a non-executive function.

8. ALTERNATIVE OPTIONS CONSIDERED

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code) and hence alternative options are limited.

9. IMPLICATIONS

Financial implications are dealt with in the body of this report. There are no Human Resource, Legal, ICT, Procurement or Property issues arising directly from the recommendations in this report.

10. BACKGROUND DOCUMENTS

- Budgetary Monitoring Report Final Outturn 2015/16
- Council March 2015: Medium Term Financial Strategy
- The Accounts and Audit Regulations (England) 2015, Statutory Instrument

11. APPENDICES

- Appendix A - Statement of Accounts 2015/16

This page is intentionally left blank