

AUDIT COMMITTEE	AGENDA ITEM No. 6
26 JUNE 2017	PUBLIC REPORT

Report of:	John Harrison, Corporate Director: Resources	
Cabinet Member(s) responsible:	Cllr Aitken, Chair of Audit Committee	
Contact Officer(s):	Paul Cook Head of Corporate Finance	Tel. 454433

DRAFT STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

R E C O M M E N D A T I O N S	
FROM: Corporate Director : Resources	Deadline date: N/A
<p>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 2017.</p>	

1. ORIGIN OF REPORT

1.1 Part of the financial reporting cycle

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 2016/17 Code of Practice (the Code) and are followed in the preparation of the 2016/17 Statement of Accounts.

2.3 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.

2.4 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.

2.5 The Accounts must be signed and certified by 30 June 2017 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 2017.

- 2.6 The Audit Committee is required to approve the Accounts no later than 30 September 2017 following, and in the knowledge of, the audit findings.
- 2.7 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.
- 2.8 2017/18 accounts must be produced under a faster timetable with the draft accounts ready for audit 31 May and published with opinion 31 July. Using 2016/17 as a trial considerable progress has been made on trimming timescales and has demonstrated the timetable next year is deliverable.
- 2.9 *How does this report link to the Children in care Pledge?*
There is no link

3. TIMESCALES *[If this is not a Major Policy item, answer **NO** and delete the second line of boxes.]*

Is this a Major Policy Item/Statutory Plan?	/NO	If yes, date for Cabinet meeting	
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4. BACKGROUND AND KEY ISSUES

- 4.1 The 2016/17 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 the 2015 Accounts and Audit 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.

5. FORMAT OF THE ACCOUNTS

- 5.1 The standard format has improved since 2015/16 accounts as the accounts now reflect the Council's budget control report structure.
- 5.2 *Narrative Report* - provides a fair, balanced and understandable guide.
- 5.3 *Statement of Responsibilities* – sets out the responsibilities of the Council and the chief financial officer in respect of the Statement of Accounts.
- 5.4 *Expenditure and Funding Analysis* - This demonstrates how the funding available to the Council for the year has been used in providing services, in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates.
- 5.5 *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.
- 5.6 *Movement in Reserves Statement* – this statement shows the movement in the year on the different reserves held by the Council.

- 5.7 *Balance Sheet* – shows the value of the assets and liabilities recognised by the Council as at 31 March 2017.
- 5.8 *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 2016/17.
- 5.9 *Notes to the Financial Statements* - the various statements are supported by technical *Notes* and by the *Statement of Accounting Policies*.
- 5.10 *The Collection Fund & Notes* – shows the transactions of the Council in relation to Council Tax and Non-Domestic Rates.
- 5.11 *Statement of Accounting Policies* – outlines the accounting policies adopted by the Council.
- 5.12 *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 2017, following its approval.
- 5.13 The Statement of Accounts also includes a glossary of technical terms and a summary of the main acronyms used.

6. **BALANCE SHEET AT 31 MARCH 2017**

- 6.1 The Statement of Accounts includes a Balance Sheet that sets out the net worth of the Council at 31 March 2017 with the comparative figures for 31 March 2016. The Balance Sheet shows the assets and liabilities of the Council which are matched by the reserves held by the Council.
- 6.2 Current assets have increased by £6m, the majority of this movement is the increase in Short Term Debtors (money owed to the Council) by £3.4m and Cash and Cash Equivalents of £4.8m.
- 6.3 Long Term Liabilities have increased by £72.2m. This has resulted mainly from additional borrowing undertaken to support the Council's capital investment programme, and to cover short term cash flow fluctuations. The Pensions Liability has increased by £32.9m due mainly to changed actuarial assumptions.

7 **RESERVES AND BALANCES**

- 7.1 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 2016/17 remains at £6.0m which is consistent with Medium Term Financial Strategy (MTFS).
- 7.2 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.
- 7.3 Total reserves have increased by £28.1m. This reflects significant changes in the (unusable) reserves for revaluation, capital adjustment and pensions.

8 REVENUE AND CAPITAL OUTTURN 2016/17

- 8.1 The Council approved a balanced budget for 2016/17 that supported its key priorities. The budget included £23.2m of savings; a further reduction in grant of £9.8m and £7m of demand-related pressures and investment.
- 8.2 CMT and the Cabinet have monitored the budget rigorously during 2016/17.
1. Departmental management teams have reviewed the budget position monthly and have taken appropriate action
 2. Regular reports to CMT on savings proposals, additional pressures and risks
 3. Review of the capital programme during the year, deferring projects into future financial years or removing projects that are no longer required
 4. Utilising all opportunities to capitalise expenditure where appropriate
 5. Reviewing reserves and provisions, and managing risk.
- 8.3 Financial reporting in December 2016 indicated a £1.0m overspend for the year. The Council can now report an underspend of £1.3m, which will be added to the Grant Equalisation Reserve for future use, stabilising the budget position for the Council. This reflects the continuing focus on containing expenditure and improving efficiency. Further detail will be provided in the full outturn report to Cabinet on 10 July 2017. The final outturn position for 2016/17 is explained in the Narrative Report on page 5 of the Statement of Accounts.
- 8.4 **Chief Executive**
- Following a successful trial starting in October 2015, Peterborough City Council (PCC) and Cambridgeshire County Council have shared a Chief Executive, saving PCC £110k per year. This saving has now been built into the budget on an ongoing basis.
 - Savings have also been made in supplies and services budgets.
- 8.5 **Governance**
- The costs of providing legal services to council departments and partner organisations has increased and this was previously being reported as a pressure. The charges to partners are being reviewed to redress this, and costs incurred for other parties have been recovered.
 - Land charges income is higher than budgeted and additional one off budget to meet the extra cost of an all-out election in 2016 has not been required in full, due to administrative savings and economies of scale, both of these combined generate an underspend of £102k.
 - The central performance management and business intelligence function has seen cost pressures as the Council invests in new technology to support the transformation agenda and to meet the needs of improved information governance, this equated to £162k .
 - The human resources function has delivered savings totalling £114k from staffing and training costs
 - An improvement in income in the final quarter of the year has been achieved following the remedial action. Some provisions have been released after clarification of costs chargeable to other parties.
- 8.6 **Growth and Regeneration**
- The Directorate has significant partnership arrangements across each service in an effort to drive out savings and efficiencies.
 - Peterborough Highway Services has delivered savings through its efficiency roadmap of £363k.
 - Planning policy and development control expertise have been sold to other local authorities generating additional income. Planning fee income itself was £316k higher than expected, particularly towards the end of the financial year.
 - A reduction in the expected demand for concessionary fares has provided savings, now factored into future budgets. In the final quarter of the year, concessionary fare costs have reduced further compared with forecast, overall there is a surplus of £636k reported within the final outturn position.

- Additional highways development income has been achieved before year end, and the planned efficiency savings have increased; some of these will be ongoing.

8.7 People and Communities

- There has been considerable pressures throughout the year from the Independent Sector Placements for adult social care.
- Within the Therapy, Reablement and Community Equipment service area there is a £367k adverse position at outturn.
- Children's Social Care placements overspent by £247k due to 356 looked after children. It should be noted that Peterborough is within the national range for children looked after per rate of population and the cost depends upon the type of accommodation and support package required.
- There is a favourable position of £170k being reported within the outturn position within children's social care agency and staffing costs.
- There is a £1.445m overspend reflecting the pressure of housing homeless families. This has increased due to higher numbers approaching PCC and less available housing to place the families in.
- There is an adverse position of £619k for home to school transport.

8.8 Resources

- The Directorate seeks to contain costs through exploiting commercial opportunities as far as possible. Savings and additional income have been delivered across the commercial group, comprising renewable energy; cultural services partnership with Vivacity; Amey strategic partnership; waste management and waste disposal including the energy recovery facility, and Westcombe Engineering.
- The income earned through cremation fees has been higher than anticipated, especially in the final quarter of the year, this has generated a £260k surplus.
- Additional waste treatment costs have been offset by a credit for business rates in respect of recycling, and a saving in refuse collection costs. Repairs and Maintenance costs have reduced in the final quarter.
- The Serco Strategic Partnership and ICT partnership have seen cost pressures arising from increased volumes of activity and the costs of supporting the technology strategy and transformation agenda.
- Savings have been made in financial services, insurance, inflation and in capital financing costs
- Market income has been lower than forecast. Additional income has been earned through Trading Standards activity. The Great Eastern Run proved a successful event, and achieved a surplus.

8.9 The outturn has enabled a net contribution of £3.714m to the Grant Equalisation Reserve as set out in Note 17 of the Statement of Accounts.

8.10 It has not been necessary to make any increased general bad debt provision in 2016/17 due to tight management and control of outstanding debtors. The figures shown in Note 32 of the Statement of Accounts are net of provisions made.

8.11 The original planned capital programme for 2016/17 was £156.7m. The capital programme was regularly reviewed and reduced to £107.3m through slippage and savings. Capital expenditure is summarised in section 6 of the Narrative Report and Note 25 of the Statement of Accounts. The schemes most affect by slippage were:

Jack Hunt School Extension	£ 6.9m (Due to planning delays)
Hampton Gardens School	£ 7.2m (Scheme reprofiled)
Axiom Housing Loan	£22.8m (Borrower discretion on drawdown of the facility)
Empower Contract	£66.1m (Projects not achieved at the planned rate)
Housing Joint Venture	£ 6.0m (Projects not achieved at the planned rate)

9 NEXT STEPS

- 9.1 The 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 2017;
 - 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 2017; and
 - the responsible financial officer must re-certify the presentation of the annual accounts before member approval is given.
- 9.2 The Accounts and Audit Regulations 2015 also require all Councils to have a common 30 day public inspection period which includes the first 10 working days in July. The period of public inspection runs concurrently with the period whereby a local government elector may raise questions or objections to the External Auditor.
- 9.3 At the conclusion of the Audit, the Auditor will issue a report on the Financial Statements and will issue the Audit Certificate for 2016/17. This will be considered at the Audit Committee meeting on 25 September 2017.

10. CONSULTATION

- 10.1 There has been no consultation in respect of this report

11. ANTICIPATED OUTCOMES OR IMPACT

- 11.1 As set out in the report.

12. REASON FOR THE RECOMMENDATION

- 12.1 To progress the 2016/17 Statement of Accounts

13. ALTERNATIVE OPTIONS CONSIDERED

- 13.1 None.

14. IMPLICATIONS

Financial Implications

- 14.1 See main report.

Legal Implications

- 14.2 *Summarise here any legal implications related to this item and seek input from legal service.*

Equalities Implications

- 14.3 None specific

15. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 15.1 The Accounts & Audit Regulations 2015

16. APPENDICES

- 16.1 Draft 2016/17 statement of accounts