



**EAST STAFFORDSHIRE BOROUGH COUNCIL**

Report to Audit Committee

Date: 26<sup>th</sup> July 2016

<b>TITLE:</b>	Statutory Statement of Accounts 2015/16	
<b>PORTFOLIO:</b>	Leader/Finance	
<b>HEAD OF SERVICE:</b>	Sal Khan	
<b>CONTACT OFFICER:</b>	Lisa Turner, Chief Accountant	ext. No. X1399
<b>WARD(S) AFFECTED:</b>	All	

**1. Purpose of the Report**

- 1.1 To consider the Statutory Statement of Accounts for 2015/16 following the conclusion of the work undertaken by the Council's external auditors and to recommend their approval.
- 1.2 To recommend the letter of representation on behalf of the authority.

**2. Executive Summary**

- 2.1 In accordance with the Audit and Accounts regulations the statutory annual accounts for 2015/16 are appended to this report. Members of the committee are asked to scrutinise these accounts and subsequently recommend their approval to the Audit (approval of Statement of Accounts) Committee, immediately following this meeting. The Audit and Accounts Regulations require that the Council formally approve the accounts each year, this function has been delegated to the Audit (approval of Statement of Accounts) Committee.

- 2.2 The accounts have been subject to audit by our external Auditors (Grant Thornton), and a summary of their conclusions is set out within the Audit Findings Report (elsewhere on the Agenda). The outcome of the audit work has once again been very positive.
- 2.3 Members should also note that, in accordance with the relevant regulations, the accounts have been placed on deposit for public inspection between 13<sup>th</sup> June 2016 and 22<sup>nd</sup> July 2016.
- 2.4 The Code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA) consolidates the legal requirements as to the form of the accounts. Officers, in compiling the accounts, have adopted the code.
- 2.5 In presenting these audited accounts to this Committee the Council has achieved this two months ahead of the statutory deadline of 30<sup>th</sup> September 2016. Members will be aware that the deadlines for producing the accounts are being brought forward, with a requirement to approve the audited accounts by the 31<sup>st</sup> July for the financial year 2017/18. We have therefore achieved this new requirement two years ahead of schedule.

### 3. **Background**

- 3.1 The Council's Financial Statements are appended to this report. The outcome of the work undertaken by the auditor has once again been very positive and a summary of these findings is set out within the Audit Findings Report (elsewhere on the agenda).
- 3.2 The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2015/16' published by the Chartered Institute of Public Finance and Accountancy.
- 3.3 Key elements of the accounts include: -
  - **Statement of Responsibilities** – this outlines the responsibilities of the Council and the Head of Service (Section 151 Officer) in preparing the accounts and also of members in approving the accounts.
  - **Statement of Accounting Policies** – this details the legislation and the principles on which the Statement of Accounts has been prepared.
  - **Comprehensive Income and Expenditure Account** - this reports the net costs for the year of all the functions for which the Council is responsible. As such, this statement is fundamental to the understanding of the Council's activities and provides details of how costs are financed from both general government grants and income from local taxpayers. However, this statement measures the authority's financial performance in terms of the resources consumed and generated over the period, but the authority is required by law to set its budget and raise council tax on a different accounting basis. As such there are a number of statutory adjustments that are presented in the Movement in Reserves Statement to reflect the movement on the General Fund Balance.
  - **Movement in Reserves Statement** - this statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. It

reconciles the position shown within the Comprehensive Income and Expenditure Statement to the “net worth” shown in the Balance Sheet.

- **Balance Sheet** - this explains the Council’s financial position at the year-end. It provides details of the balances and reserves at the authority’s disposal, its long-term indebtedness, the long term and net current assets employed in operations and summarised information on the fixed assets held.
- **Cash Flow Statement** - this shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- **Collection Fund** - this reflects the statutory requirement for the authority to maintain a separate account providing details of receipts of Council Tax and Business Rates and the associated payments to precepting authorities and distributed resources under the Business Rates Retention Scheme.
- **Annual Governance Statement** - This outlines the governance framework within which the Council operates, including internal control arrangements. The statement reports on any significant identified weaknesses, the actions undertaken to rectify these, where applicable.

3.3 The draft letter of representation is appended to this report and the committee is asked to recommend approval of it on behalf on the authority. This letter is a formal record of representations made by the Council to our external auditors.

#### **4. Contribution to Corporate Priorities**

4.1 The financial statements underpin all corporate priorities by demonstrating a healthy financial position, providing a strong foundation to enable the authority to meet its objectives.

#### **5. Report – Commentary on Statement of Accounts**

##### **5.1 Income and Expenditure Account (Page 9)**

5.1.1 The General Fund underspend was £334,000 (page 2 of the accounts). Cabinet have approved this sum to be set aside in accordance with the approved Medium Term Financial Strategy. As a consequence, the movement on the general fund balance is neutral (as shown in the Movement in Reserves Statement). The General Fund balance therefore remains at £1.3m, which is consistent with the approved medium term financial strategy.

5.1.2 The Comprehensive Income and Expenditure Statement reports a surplus on the provision of services for the year of £0.2m. There is also a net amount required to be credited to the General Fund balance for the year shown in the Movement in Reserves Statement of £0.4m. These two items are offset by a net transfer to earmarked reserves of £0.6m.

## 5.2 Movement in Reserves (Pages 10 & 11)

- 5.2.1 As set out above, the surplus or deficit shown within the Comprehensive Income and Expenditure Statement is offset by the various reconciling items to ensure that the movement on General Fund reserve balance reflects statutory requirements.
- 5.2.2 The Statement demonstrates that usable reserves have reduced by £1m to £14.5m. The main reason for this reduction relates to the £1.5m reduction in capital receipts, this is largely associated with the repayment of debt in relation to the Market Hall refurbishment.
- 5.2.3 Unusable reserves are largely those that are kept to manage the accounting processes for long term assets and retirement benefits. These have increased during 2015/16 mainly as a result of the reduction in the pension fund liability (as set out in para.5.3.6 below).

## 5.3 Balance Sheet (Page 12)

- 5.3.1 Property, Plant and Equipment - Primarily the land and buildings owned by the Council. The figure of £39m (£37m -2014/15) is derived from a variety of valuations intended to reflect the worth of the assets to the Council - not necessarily the sum for which they could be sold.
- 5.3.2 The Council has short-term investments (excluding deposits held in call accounts) of £10.6m (£5m 2014/15). Cash and cash equivalents stood at to £6.8m (£7.5m 2014/15). The increase in this combined figure largely relates to an increase in working capital.
- 5.3.3 Long Term Borrowing has reduced by £0.4m to £10.9m (£11.3m 2014/15). This relates to a grant £0.375m from the GBSLEP towards works at Dove Way, Uttoxeter, which is repayable within 12months and has been reclassified as short term borrowing.
- 5.3.4 There has been a relatively modest reduction in provisions from £2.6m to £2.3m. This largely reflects a reduction in the appeals provision associated with business rates.
- 5.3.5 The Pension Scheme liability reduced in 2015/16. This is due to changes in the underlying assumptions made by the actuary. This has meant the liability reduced from £57m (2014/15) to £46m (2015/16), with a corresponding reduction in the Pensions Reserve. This projected deficit has no direct impact on the revenue budget of the authority or the level of council tax. However, the pension fund is subject to a triennial actuarial review which determines the future employer contributions required to ensure that the scheme is fully funded in the long term. The current Medium Term Financial Strategy includes provision for future increases.
- 5.3.6 Other long Term liabilities relate to the outstanding sums due in relation to finance leases. The authority has acquired a number of vehicles, equipment and properties under finance lease arrangements. During 2015/16 the Council acquired a number of new waste vehicles which have been classified as finance leases. Accordingly this as resulted in an increase in the associated liability. This sum will be written down as repayments are made to the supplier.

#### 5.4 **Cash Flow Statement (Page 13)**

5.4.1 This statement summarises the movements in cash holdings during the year in common with the presentation required for commercial companies, although the statement is of less significance in the Local Authority context. .

5.4.2 Whilst the Comprehensive Income and Expenditure Statement is compiled on an accruals basis (i.e. goods and services are accounted for when they are received or provided), the cash flow statement demonstrates the movement in actual cash paid and received during the year.

#### 5.5 **Collection Fund Account (Page 81)**

5.5.1 The Collection Fund shows an in year surplus of £4.4m, this includes a surplus of £0.3m in relation to Council Tax and a £4.1m in relation to Business Rates. Although it should be noted that the business rates position has been achieved with contributions received in-year towards the previous deficits.

5.5.2 The Council Tax surplus has arisen due to the collection rate exceeding that built into the budget assumptions, together with less demand for Council tax support than had been anticipated when the budget was set.

5.5.3 Overall, after taking into account the balance brought forward from 2014/15, the Collection Fund has a surplus of £2.1m, (Deficit £2.2m – 2014/15) which will be redistributed to the respective authorities in future years.

5.6 Overall the accounts presented within the Financial Statements show a healthy position. Through the adoption of proper accounting practices and the ongoing identification of, and actions to mitigate against, financial risks this provides a crucial foundation for the Council to be able to achieve its objectives.

### 6. **Financial Considerations**

*This section has been approved by the following member of Financial Management Unit:  
Lisa Turner.*

5.1 This report relates solely to the authorities financial position and activities during 2015/16.

### 7. **Risk Assessment and Management**

7.1 The main risks to this Report and the Council achieving its objectives are as follows.

7.2 Positive (Opportunities/Benefits):

7.2.1 The Council is committed to the efficiency agenda and has established a Medium Term Financial Strategy (MTFS) and these accounts reflect a robust financial position which supports the organisation in meeting its objectives going forward.

7.3 Negative (Threats)

7.3.1 Inadequate or incorrect financial reporting may result in misrepresentation of the Council's financial position

7.4 The risks do not need to be entered in the Risk Register.

**8. Legal Considerations**

*This section has been approved by the following member of the Legal Team: Angela Wakefield.*

8.1 There are no significant legal issues arising from this Report.

**9. Equality and Health**

9.1 **Equality impacts:** The subject of this Report is not a policy, strategy, function or service that is new or being revised. An equality and health impact assessment is not required.

9.2 **Health impacts:** The outcome of the health screening question does not require a full Health Impact Assessment to be completed.

**10. Human Rights**

10.1 There are no Human Rights issues arising from this Report.

**11. Sustainability (including climate change & change adaptation measures)**

11.1 Does the proposal result in an overall positive effect in terms of sustainability (including climate change and change adaptation measures) No

**12. Recommendation(s)**

12.1 To recommend to the Audit (approval of Statement of Accounts) Committee that:

a) the Statutory Statement of Accounts for 2015/16, as set out in Appendix A to this report, be approved; and

b) the Letter of Representation, as set out in Appendix B to this report, be approved.

**13. Appendices**

13.1 Appendix A: Statutory Statement of Accounts 2015/16.

13.2 Appendix B: Letter of Representation 2015/16.