

Meeting: Statement of Accounts
Committee/ Audit Committee

Agenda Item:

3

Portfolio Area: Resources

Date: 28 September 2016

2015/16 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT

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1 PURPOSE

- 1.1 To present the External Auditor's Annual Report for consideration and approval and the audited 2015/16 Financial Report including the Statement of Accounts (SOA).

2 RECOMMENDATIONS

- 2.1 That the Annual Report to those charged with Governance for 2015/16 be approved (Appendix Three to follow).
- 2.2 That the Council's Letter of Representation be approved (Appendix Four to follow).
- 2.3 That the Financial Report including the Statement of Accounts 2015/16 be approved (Appendix Two).

3 BACKGROUND

- 3.1 This report is presented to the Audit Committee in its capacity as the body charged with Governance. The Auditor's report has been produced by the Council's External Auditors, Ernst & Young (appendix Three – to follow).
- 3.2 As a result of the changes to the Accounts and Audit regulations this committee no longer receives and approves a draft set of accounts by the 30 June. The revised requirement under these regulations is for the Audit Committee and Council, (or a Committee delegated this function by Council), to consider and approve the accounts before 30th September after they have been audited.
- 3.3 The 2015/16 fourth quarter outturn position for the General Fund and the Housing Revenue Account was presented to the Executive on 14 July 2016. That report showed that the General Fund had a net under spend of £404,533 of which £337,530 related to carry forward requests. The HRA had an increase in surplus of

£1,083,238 of which £287,270 related to carry forwards. Following the external audit the outturn positions for the General Fund and HRA remains unchanged.

3.4 Changes affecting the 2015/16 Statement of Accounts

3.4.1 The SOA has to be compiled in accordance with current International Financial Accounting Standards, statutory requirements, and CIPFA published guidance. The standards and guidance may change year on year.

3.4.2 In 2015/16, with the introduction of IFRS 13 Fair Value Measurement, consideration had to be given as to the robustness of the valuations carried out at “fair value” on assets (such as investment properties) and disclosed accordingly:

3.4.2 There are three levels of category for the valuations used in producing the Balance Sheet:

- Level 1 – quoted prices (same asset in active market).
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability (ie no identical asset/liability by which comparison can be made).

3.4.3 The council’s investment properties were deemed to be assessed at level 3 for valuation purposes.

3.4.4 At the beginning of the document the Executive Statement has been replaced with the Narrative Report, the purpose of which is to offer interested parties an easy understandable guide to the significant matters reported in the accounts.

3.4.5 In previously published financial reports the Annual Governance Statement was included within the financial report. This is now shown as a separate document and is included at Appendix One in this report.

3.5 Members were offered training prior to this committee to aid their understanding of the Statement of Accounts.

3.6 The Council is required to send to the Council's External Auditors a Letter of Representation (Appendix Four).

4 REASONS FOR RECOMMENDED COURSE OF ACTIONS AND OTHER OPTIONS

4.1 Statement of Accounts

4.1.1 The 2015/16 Financial Report including the Statement of Accounts is Appendix Two to this report. At the time of writing the external audit had not been completed and subsequent changes to the Statement of Accounts will be tabled on 28 September.

4.2 Balance Sheet

4.2.1 The Council's Balance Sheet as at the 31 March 2016 showed total reserves of £486.564 Million, an increase of £81.5 Million over the Balance Sheet as at 31 March 2015. However of this increase only £1.7 Million relates to usable or cash reserves, The increase in the Council's net worth can be assessed by reviewing the Useable and Non Useable Reserves.

4.2.2 Useable Reserves

4.2.3 Useable reserves are cash reserves that are available for the Council to spend on revenue and/or capital. The Council's useable reserves increased by £1.7Million to £50.046Million as at 31 March 2016.

4.2.4 Table one below details the movement in useable reserves.

	Balance at 31 March 2015	Increase/ (Decrease) in Year	Balance at 31 March 2016
	£'000	£'000	£'000
Revenue Reserves:			
General Fund Balance	6,090,320	1,797,471	7,887,791
Earmarked General Fund Reserves	2,435,721	1,815,590	4,251,311
Housing Revenue Account	13,703,547	3,251,538	16,955,084
Total Revenue Reserves	22,229,588	6,864,599	29,094,187
Capital Reserves:			
Major repairs reserve	12,365,800	(7,713,535)	4,652,265
Capital Receipts Reserve	13,113,768	2,880,786	15,994,554
Government Capital Grants Unapplied	605,910	(300,449)	305,461
Total Capital Reserves	26,085,478	(5,133,198)	20,952,280
TOTAL REVENUE AND CAPITAL RESERVES	48,315,066	1,731,401	50,046,467

4.2.5 Un-useable Reserves

4.2.6 Non useable or un-useable reserves are non cash reserves and include (but not exhaustive) the value of:

- Gains and losses from changes to the value of the Council's assets shown in the **Revaluation Reserve**.
- Timing differences between the purchase and use/or consumption of non-current assets (formerly known as fixed assets) shown in the **Capital Adjustment Account**.
- The calculated liability owed by the council at the Balance Sheet date for staff pensions shown in the **Pension Reserve**.

- The amount of money that would have to be paid to staff if all holiday entitlement due, but not taken was paid at the Balance Sheet date shown in the **Accumulated Absences Account**.
- The **Collection Fund Adjustment Account** which holds the timing difference between the recognition of Council Tax and Non Domestic Rates (NDR) income in the Income and Expenditure Statement as it falls due from council tax payers and business rate payers, compare with the statutory arrangement for paying across amounts to the General Fund from the Collection Fund (Council Tax and NDR), to match those calculated and approved at budget setting for that financial year.

4.2.7 The Council's un-useable reserves increased by £79.760Million to £436.518Million as at 31 March 2016. Included within un-useable reserves is the Council's **pension reserve** (deficit). The pension deficit decreased by £7.7Million compared to 31 March 2015.

4.2.8 The **Capital Adjustment Account** (CAA) has increased by £58.243Million largely due to the in year net revaluation gain of £49.2Million on Council House stock and General Fund properties. As this gain reversed prior year losses charged to the HRA and General Fund the gain is taken to the CAA and not the Revaluation Reserve in accordance with accounting policies.

4.2.9 A summary of the movement in unusable reserves is shown in Table two below.

	Balance at 31 March 2015 £	Increase/ (Decrease) in Year £	Balance at 31 March 2016 £
Un-usable Reserves:			
Revaluation Reserve	35,492,471	15,057,864	50,550,335
Capital Adjustment Account	374,253,813	58,243,192	432,497,005
Deferred capital receipt reserve	191,368	2,903	194,272
Pensions Reserve	(53,613,000)	7,724,000	(45,889,000)
Collection Fund Adjustment Account	825,881	(1,378,233)	(552,352)
Accumulated Absences Account	(392,887)	109,926	(282,961)
Total Un-usable Reserves:	356,757,647	79,759,652	436,517,299

4.3 External Auditors Conclusions

4.3.1 As the Council's appointed Auditor, Ernst Young is required to review and report on the Council's financial statements and provide a value for money conclusion. At the time the time of writing the report the Ernst Young had yet to complete their audit. There findings and ISA 260 report will follow.

4.3.2 At the time the time of writing the report, no objections were received by electors to the 2015/16 accounts

4.3.3 No requests were received for any further details on the Council's financial records.

4.2.5 As a result of the external audit there are no recommendations from Ernst Young in relation to the Statement of Accounts. There may be recommendations as a result of the Finance Resilience Report to be presented to the November Audit Committee.

5 IMPLICATIONS

5.1 Financial Implications

The updated Accounts for 2015/16 are financial in nature. As this document is finance related, the financial implications are contained therein.

5.2 Legal Implications

This report is presented in accordance with the Accounts and Audit Regulations England (2015).

BACKGROUND PAPERS

4th Quarter General Fund and HRA report 12 July 2016 Executive

4th Quarter Capital monitoring report 12 July 2016 Executive

APPENDICES

Appendix 1 – Annual Governance Statement

Appendix 2 - Updated “in audit” Statement of Accounts 2015/16

Appendix 3 - Annual Report to those Charged with Governance (TO FOLLOW)

Appendix 4 - Letter of Representation (TO FOLLOW)