

EAST STAFFORDSHIRE BOROUGH COUNCIL

REPORT COVER SHEET

Title of Report:	Statutory Statement of Accounts 2016/17
Meeting of:	Scrutiny (Audit and Value for Money Council Services) Committee
Date:	25 th July 2017
Is this an Executive Decision:	NO
Is this a Key Decision:	NO
Is the report Confidential:	NO
If so, please state relevant paragraph from Schedule 12A LGA 1972:	

Essential Signatories:

ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE

Monitoring Officer: Angela Wakefield

Date Signature

Chief Finance Officer: Sal Khan

Date Signature

EAST STAFFORDSHIRE BOROUGH COUNCIL

Report to Scrutiny (Audit and Value For Money Council Services) Committee

Date: 25th July 2017

TITLE:	Statutory Statement of Accounts 2016/17	
PORTFOLIO:	Leader/Finance	
HEAD OF SERVICE:	Sal Khan	
CONTACT OFFICER:	Lisa Turner, Chief Accountant	ext. No. X1399
WARD(S) AFFECTED:	All	

1. Purpose of the Report

- 1.1 To consider the Statutory Statement of Accounts for 2016/17 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 2016/17 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 are 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 12th June 2017 and 21st July 2017.
- 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 once again achieved this two months ahead of the statutory deadline of 30th September 2017. Members will be aware that the statutory deadlines for producing the accounts are being brought forward, with a requirement to approve the audited accounts by the 31st July for the financial year 2017/18. We have once again therefore achieved this new requirement 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 2016/17' 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.

3.2 The accounting code of practice has required a change to the presentation of Comprehensive Income and Expenditure Statement. This is now presented in a format consistent with each Council’s management accounts (Quarterly Reporting), but adjusted for statutory transactions, such as depreciation and pensions. This has required the comparative figures for 2015/16 to be restated.

3.3 The accounting code of practice has introduced a new expenditure and funding analysis to the accounts for 2016/17. This provides a reconciliation of the figures reported to management/Cabinet in compliance with statutory requirements as part of the Outturn and those published to meet accounting standards and shown within the Comprehensive Income and Expenditure Statement. This is set out in note 5 to the accounts.

3.4 The draft letter of representation is appended to this report and the committee is asked to recommend approval of it on behalf of 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 under-spend was £375,000 (page 2 of the accounts). Cabinet have approved this sum to be set aside within reserves and allocated as part of the development of the Medium Term Financial Strategy for 2018/19 onwards. 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 £1m. There is also a net amount required to be debited to the General Fund balance for the year shown in the Movement in Reserves Statement of £0.1m. These two items are offset by a net transfer to earmarked reserves of £0.9m. This pre-dominantly relates to the setting aside of the windfall element of New Homes Bonus funding, in line with our approved Medium Term Financial Strategy.
- 5.1.3 As set out above (para.3.2) the format of this statement has been revised for 2016/17, as required by the code of practice.

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 reserves reflects statutory requirements.
- 5.2.2 The Statement demonstrates that usable reserves have reduced by £0.4m to £14.1m. The main reason for this reduction relates to the £1.4m reduction in capital receipts, largely associated with the repayment of debt and an increase in earmarked reserves (£0.9m), reflecting the setting aside of windfall New Homes Bonus Funding in accordance with our approved financial strategy.
- 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 reduced during 2016/17, mainly as a result of the increase 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 £37m (£39m -2015/16) 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 £15.9m (£10.6m 2015/16). Cash and cash equivalents stood at to £9.4m (£6.8m 2015/16). The increase in this combined figure largely relates to an increase in working capital associated with the increase in Collection Fund Balances and a forward treasury deal (as set out below)

- 5.3.3 Short Term Creditors have increased from £9m as at 31st March 2016 to £14.3m as at 31st March 2017. This increase is largely due to
- a) an advance commitment to purchase a Treasury Management CD (£3m) with RBS at the end of March 2017, with the cash transfer taking place in early April;
 - b) The increase in Collection Fund Balances from £2.2m to £6.3m, means there is an increase Council Tax and Business Rates collected and due to other public bodies for whom the Council collects on their behalf. After excluding East Staffordshire BC share, this increase amounts to £2.6m.
- 5.3.4 Long Term Borrowing stands at £10.8m (£10.8m 2015/16), with short term borrowing remaining at £0.6m.
- 5.3.5 There has been a relatively modest reduction in provisions from £2.3m to £2.2m.
- 5.3.6 The Pension Scheme liability increased as at 31st March 2017. This is due to changes in the underlying assumptions made by the actuary. This has meant the liability increased from £47m (31st March 2016) to £54m (31st March 2017), with a corresponding reduction in the Pensions Reserve. This is a snap shot assessment as at 31st March 2017 and 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.
- 5.3.7 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. This liability has reduced during 2016/17 to £1.9m (£2.4m 31st March 2016) due to planned in year repayments in line with the lease agreements. The remaining 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 £4.1m, this includes a surplus of £0.3m in relation to Council Tax and a £3.8m in relation to Business Rates.

However, 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 largely arisen due to 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 2015/16, the Collection Fund has a surplus of £6.3m, (Surplus £2.2m – 2015/16) 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 2016/17.

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) as well as an efficiency plan. 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 2016/17, 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 2016/17.

13.2 Appendix B: Letter of Representation 2016/17.