

Report of:	Head of Finance
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Portfolio Leader:	Corporate Improvement
Key Decision:	No
Report Track:	Audit and Governance only

AUDIT AND GOVERNANCE COMMITTEE
27 SEPTEMBER 2016
STATEMENT OF ACCOUNTS 2015/16

1 Purpose of Report

- 1.1 To present the audited Statement of Accounts for 2015/16 to the Audit and Governance Committee for approval.

2 Recommendations

- 2.1 That the audited Statement of Accounts for 2015/16 be approved.

3 Key Issues and Reasons for Recommendation

- 3.1 The Accounts and Audit Regulations 2015 require that the Council's Statement of Accounts be approved by the Audit and Governance Committee.

4 Relationship to Corporate Priorities

- 4.1 The financial statements are an important part of the Council's corporate governance arrangements, which cut across all corporate priorities.

5 Report Detail

- 5.1 Members of Audit and Governance Committee are required to approve the Council's audited Statement of Accounts for 2015/16 by 30 September 2016, in accordance with the Accounts and Audit Regulations 2015.
- 5.2 The Audit Findings report which summarises the results of our external auditors' work for the year is presented elsewhere on the agenda.
- 5.3 The purpose of the Council's published Statement of Accounts circulated as a **SEPARATE BOOKLET** is to give electors, those subject to locally levied taxes and charges, members of the Council, employees and other interested parties clear information about the Council's finances. It should answer such questions as:
- What did the Council's services cost?
 - Where did the money come from?
 - What were the Council's assets and liabilities at the year-end?
- 5.4 The Narrative Report on pages 3 – 16 of the **SEPARATE BOOKLET** is presented as a foreword to the Statement of Accounts to fulfil a similar purpose to a directors' report in company accounts. It provides a guide for the reader of the accounts to the most significant aspects of the Council's financial performance, year-end financial position and cash flows.
- 5.5 The following comprise the key financial statements that are set out in the Statement of Accounts 2015/16:
- Movement in Reserves Statement
 - Comprehensive Income and Expenditure Statement
 - Balance Sheet
 - Cash Flow Statement
 - Housing Revenue Account
 - Collection Fund
- 5.6 **Movement in Reserves Statement (pages 19-20)**
- 5.6.1 The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves such as the Capital Adjustment Account and the Pensions Reserve. The (surplus)/deficit on the provision of services shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement on page 21 of the **SEPARATE BOOKLET**.

5.6.2 The Movement in Reserves Statement shows that the Council's total usable reserves decreased from £25.418 million on 31 March 2015 to £23.850 million on 31 March 2016, a decrease of £1.568 million. Usable reserves have decreased primarily due to the decision to utilise part of the working balance for 2015/16 in relation to the Housing Revenue Account which shows a reduction of £1.998 million.

5.7 Comprehensive Income and Expenditure Statement (page 21)

5.7.1 This statement shows the **accounting cost** in the year of providing services in accordance with generally accepted accounting practices, rather than the true cost of services to be funded from taxation. The Council raises Council Tax to cover expenditure in accordance with regulations; this may be different from the accounting cost.

5.7.2 Therefore, accounting costs which are properly recorded within the Comprehensive Income and Expenditure Statement (e.g. notional charges such as depreciation and adjustments to pensions costs required by International Financial Reporting Standards) are excluded from the Council's Management Final Accounts because the Final Accounts Portfolio spending only reports the amounts that are required to met from Council Tax. Regulation prohibits notional charges such as depreciation being met from Council Tax.

5.7.3 In practice this means that there is a difference of £8.779 million between the bottom line reported in Portfolio spending (£23.654 million) and the bottom line of the cost of services reported in the Comprehensive Income and Expenditure Statement (£14.875 million) which principally relates to the complex notional accounting adjustments required by International Financial Reporting Standards. Further details are provided in note 29 on pages 59 to 62 of the **SEPARATE BOOKLET**.

5.7.4 The Comprehensive Income and Expenditure Statement on page 21 reveals an increase in the net cost of services year on year of £4.514 million (2015/16 £14.875 million and 2014/15 £10.361 million). This increase primarily relates to changes in capital charges. A full analysis of the differences is shown in note 5 on page 40.

5.7.5 Other Comprehensive Income and Expenditure Account transactions include a surplus (£3.964 million) on the revaluation of Plant, Property and Equipment assets as contained in the Balance Sheet together with actuarial gains (£14.659 million) on pension assets/liabilities. Both transactions relate to the Unusable Reserves classification of the accounts and hence have no overall impact upon the financial position of the Council.

5.7.6 Overall, a reduction in comprehensive income and expenditure of £24.668 million was recorded in 2015/16 (2015/16 surplus of (£13.598) million and 2014/15 deficit of £11.070 million net cost). This change is primarily due to changes in the re-measurement on the Pension assets and liabilities of £25.389 million (2015/16 gain of £14.659 million, 2014/15 loss of £10.730 million) principally due to changes in the discount factor.

5.8 Balance Sheet (page 22)

5.8.1 There has been an increase in net assets of £13.598 million (2015/16 £53.612 million net assets, 2014/15 £40.014 million net assets). The biggest change to report in relation to the Council's **Balance Sheet** relates to the £11.225 million reduction in the Council's share of the net liabilities of Staffordshire County Council's pension fund in the year (2015/16 £66.834 million, 2014/15 £78.059 million) as a result of gains arising from changes in the fund actuary's financial assumptions (It should be noted that the pension's changes do not impact upon the financial position of the Council, since the deficit will be made good by increased contributions over the remaining working lives of employees). In addition Property, Plant and Equipment has been revalued resulting in a net increase of £1.840 million. Further details of changes are provided in page 15 of the narrative report in the **SEPARATE BOOKLET**.

5.9 Cash Flow Statement (page 23)

5.9.1 The Cash Flow Statement summarises flows of cash in and out of the Council's bank accounts. The change in the value of cash and cash equivalents year on year (£0.803 million) relates primarily to changes in investing and financing activities detailed in notes 27 and 28 on pages 59 of the **SEPARATE BOOKLET**.

5.10 Housing Revenue Account (page 81)

5.10.1 The Housing Revenue Account outturn shows a deficit of £1.998 million in 2015/16 compared with a surplus of £0.832 million in 2014/15. The deficit was planned as part of the budget setting to enable a greater Revenue Contribution to Capital. The effect of this was housing working balances reducing to £1.629 million as at 31 March 2016.

5.11 Collection Fund (page 85)

5.11.1 As a billing authority, the Council is required to provide the Collection Fund Income and Expenditure Account which summarises the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates.

5.11.2 The net position on the Collection Fund in respect of Council Tax for the year was a deficit of £0.047 million which after taking account of brought forward surpluses of £0.157 million leaves a net surplus of £0.110 million.

5.11.3 The net position on the Collection Fund in respect of National Non-Domestic rates for the year is a surplus of £0.592 million which after taking account of brought forward deficits of £5.545 million leaves a net deficit of £4.953 million. Cannock Chase's share of the deficit is £1.981 million.

5.11.4 A deficit of £4.953 million exists in relation to Business Rates as at 31 March 2016 as a result of the significant increase in the level of business rates appeals lodged with the Valuation Office Agency. The Council's share of this is £1.981 million however it should be noted that the deficit is only notional. Business Rate

collection fund accounts are based upon estimated figures in January of each year. The Comprehensive Income and Expenditure account reflects the actual position as at 31 March 2016 and an earmarked reserve has been created that offsets the deficit as stated in the Collection Fund.

6 Implications**6.1 Financial**

None

6.2 Legal

None

6.3 Human Resources

None

6.4 Section 17 (Crime Prevention)

None

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

None

6.8 Equality & Diversity

None

6.9 Best Value

None

Previous Consideration – Nil

Background Papers - File available in Financial Services