

AUDIT AND RISK COMMITTEE

20 September 2016

STATEMENT OF ACCOUNTS 2015/16

Report of the Director for Resources

Strategic Aim:	Delivering Services within the Medium Term Financial Plan	
Exempt Information	No	
Cabinet Member(s) Responsible:	Mr T C King, Leader and Portfolio Holder for Finance and Development	
Contact Officer(s):	Saverio Della Rocca, Assistant Director (Finance)	01572 758159 sdrocca@rutland.gov.uk
	Andrew Merry, Finance Manager	01572 758152 amerry@rutland.gov.uk
Ward Councillors	Not Applicable	

DECISION RECOMMENDATIONS

That the Audit and Risk Committee delegates the signing of the Statement of Accounts (Appendix A) which includes the Annual Governance Statement to the Assistant Director (Finance) and Chair of the Committee.

1 PURPOSE OF THE REPORT

- 1.1 This report presents the statutory Statement of Accounts (SoA) 2015/16 (Appendix A) in the form prescribed by regulations to meet the statutory requirement for the Committee to approve and publish its annual statement of accounts by 30 September 2016.
- 1.2 The Council has a contingent liability disclosed in the Statement of Accounts. A detailed report on this potential liability was presented to Council on 12th September (Exempt Report 180/2016). If new information emerges, before the 30th September, that confirms (or otherwise) that the Council has a liability and that this liability can be reasonably estimated then the Assistant Director – Finance will review the disclosure in the accounts and make any adjustments and agree those with the external auditor and Chair of this committee. It is for this reason that the Committee is being asked to give delegated authority to the Chair of Audit and Risk to sign the accounts on behalf of the Committee

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 The SoA is produced in line with International Financial Reporting Standards (IFRS) requirements which determine the contents and format of the Statement. There are no major changes in the IFRS requirements from those applicable in the previous year.
- 2.2 The financial outturn reported to Cabinet on 21 June 2016 (Report 109/2016) is incorporated into the SoA and Note 1 on pages 19 to 21 in Appendix A reconciles the reported figure to the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.
- 2.3 The SoA was certified as presenting a true and fair view of the authority's financial position by the Assistant Director – Finance (Section 151 officer) on 30 June 2016 (thus complying with the Accounts and Audit Regulations 2011). The SoA together with supporting working papers were then submitted to the external auditor to start their audit on 13th July and questions and issues raised during the course of the audit were logged and responded to promptly. The external auditor will report on his findings from the audit and give his opinion on whether the accounts provide a true and fair view.
- 2.4 At the Audit and Risk Committee meeting held on 19 July 2016 a draft Annual Governance Statement was reviewed and subject to minor changes agreed for inclusion within the Statement of Accounts (Report 113/2016). The Annual Governance Statement was submitted to the external auditor with the Statement of Accounts by 30th June 2016 in accordance with the regulatory requirements.

3 KEY ISSUES WITHIN THE SOA

Pensions - The Council's net pension liability for the Local Government Pension Scheme (controlled by Leicestershire County Council as the Pension Fund administrator) has decreased from £42.0 million (2015) to £30.9 million in the year to 31 March 2016. There are two main elements that create this liability: the value of assets held by the pension fund, and the estimated future demands for pension payments. While the value of assets have only slightly increased £0.6 million during the year, liabilities have also reduced by £10.5 million. The main reason for the large movement is due to changes in financial assumptions within the pension fund, the largest change related to the expected increases in rates of pay which has changed from RPI + 1% to RPI. The £30.9m liability is shown in the Pension Fund Reserve (note 31). Clearly, this figure could go up or down depending on return on investment, contribution rates, life expectancy etc. Every Council has a pension liability and the movement in the pension liability is consistent across the sector.

- 3.1 **Income and Expenditure** - The Surplus or Deficit on the Provision of Services line shows the true cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES), page 15. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The reasons for this are explained below.

The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or

from earmarked reserves undertaken by the Council, for more detailed movements, see Note 13. The table below summarises the key movements on the CIES:

CIES Line	Amount (£m)
Cost of Services	35.6
Loss on Disposal of Assets	6.5
Parish Precepts	0.6
Council Tax and Other Income	(40.2)
Interest & MRP	2.2
Deficit of Provision of Services (The true cost in accounting terms of providing services)	4.7

This converts into a surplus in GF reserves of £0.5m (as per the Council's management accounts) because some items included for accounting purposes above are not included for council tax setting purposes and some items not in the cost of provision of services are included for council tax setting purposes:

CIES Line	Amount (£m)
Deficit of Provision of Services	4.7
Remove items that are not included for Council tax setting purposes:	
Depreciation <i>(is included for accounting purposes but for council tax setting purposes is removed and replaced by Minimum Revenue provision – an amount set aside for the repayment of debt)</i>	0.7
Capital Grants <i>(capital grants are removed because they are related to capital and hence excluded from revenue account for council tax setting purposes)</i>	(6.0)
Disposal of Assets <i>(Unlike a private company, the council works out loss/gain on assets for accounting purposes only. Any capital proceeds must be used to repay debt or reinvest in capital so are excluded as income from the revenue account for council tax setting purposes)</i>	6.9
Pension Movement <i>(This movement shows the difference between the actual amount paid over to the pension scheme and the amount of the increase in the net liability for the Councils pension scheme)</i>	2.0
Add back items that are not included for within the CIES:	
MRP <i>(this is the amount set aside for repayment of debt as indicated above)</i>	0.9
Other Items	0.2
General Fund Surplus (as per outturn report 109/2016)	(0.5)

- 3.2 **Capital Expenditure** - No significant new assets were purchased. All capital expenditure (classed in additions in the table below) was related to enhancing existing assets. The Council was able to account for the disposal of Barleythorpe Hall during 2015/16 and have recognised a capital receipt of £1.5m (VAT Inclusive) within the year. There were other disposals relating to the transfer of schools to academies. The revaluations of assets during the year generated a decrease in value of £0.4m. Note 17 in the SoA shows the detailed movement on assets. The table below summarises these movements:

	Amount (£m)
Asset Valuation 1 April 2015	74.6
Depreciation	(2.0)
Disposals, including: 1) Cottesmore Primary School – Academy Conversion 2) Edith Western School – Academy Conversion 3) Buses	(6.6)
Transfers from Assets Held For Sale	0.5
Revaluation Losses	(0.4)
Additions – This includes both the purchase of new assets (e.g. Adult Social Care system), but also additional expenditure that enhances the value of our existing assets.	3.9
Asset Valuation 31 March 2015	70.0

- 3.3 **Debtors** – The table below shows the level of debtors as at the 31 March 2016. The table explains the key movements on the figures.

Amount 2014/15 (£m)	CIES Line	Amount 2015/16 (£m)
1.3	Central Government – <i>(This mainly represents grants that the council is entitled to during 2015/16 but have yet to be claimed. The reason for the decrease is in 2014/15 debtors included £0.3m for Travel 4 Rutland and £0.2m for Active Rutland Hub. Both projects are now finished).</i>	0.7
0.3	Other Local Authorities	0.3
1.3	NHS Bodies – <i>(The councils works closely with NHS Bodies to deliver services and during 2014/15 the Better Care Fund (BCF) Pilot was established and at the 31/03/2015 the final payment required under the Better Care Fund agreement was outstanding. For 2015/16 the BCF was billed quarterly in advance and only</i>	0.3

Amount 2014/15 (£m)	CIES Line	Amount 2015/16 (£m)
	<i>minor balances were outstanding at the year end).</i>	
0.1	Schools	0.1
2.1	Other Entities & Individuals – (During 2014/15 the council agreed to sell Barleythorpe Hall, subject to conditions being met. During 2015/16 all of the conditions were met so the Council was able to account for the sale, but the outstanding cash from the sale (£0.9m) was not received until 2016/17).	3.2
5.1	Total	4.5

3.4 **Provisions** – The Council creates a provision when it is aware of a liability it must settle, but is unsure of the timing of the settlement. The 2015/16 accounts contains a provision relating to Business Rates Appeals of £247k – businesses can lodge appeals to the Valuation Office against the rateable value of their business premises. These appeals can result in a decrease in the amount of rates payable and can be backdated. To mitigate the risk of the appeals a provision is created against the total value of appeals.

3.5 **Investments** – The amount held in relation to investments can be found on the balance sheet within the accounts. The total invested is a combination of two entries.

- **Short Term Investments £21m** – These cover fixed term investments, generally with banks and buildings societies. These mature over various points within the year and were for mixed terms but all for less than one year.
- **Cash & Cash Equivalents £5m** – These are investments that are held in instant access investment accounts

4 CHANGES MADE TO DRAFT ACCOUNTS PUBLISHED ON 30 JUNE 2016

4.1 There has been minor changes to various sections of the 2015/16 accounts, including;

4.1.1 **Narrative Statement** – minor adjustments including:

- a) Slight amendments to wording around performance reporting;
- b) Updating of the Financial context to reflect the potential impact of Brexit as far as possible; and
- c) A new paragraph on the agreed settlement with Larkfleet Homes regarding Oakham North.

4.1.2 **Accounting Policies** – Clarification point relating to disclosure of asset lives used

within the accounts

4.1.3 Main Statements and Supporting Notes - Minor presentational changes

5 CONSULTATION

- 5.1 Under the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 the public have been able to view and comment on the accounts from the 30 June 2015 until 11 August 2016. At the time of writing the report there had been no requests to view or comment on the accounts to either the Council or to the Auditors.

6 ALTERNATIVE OPTIONS

- 6.1 The Audit and Risk committee could choose not to approve the Statement of Accounts 2015/16 and the Annual Governance Statement. However, doing so would result in the Council not meeting its statutory duty to approve and publish audited accounts by the 30 September 2016.

7 FINANCIAL IMPLICATIONS

- 7.1 The key financial aspects of the accounts are included within section 3. There are no direct implications associated with approving the Statement of Accounts.

8 LEGAL AND GOVERNANCE CONSIDERATIONS

- 8.1 Section 3 of Part 3 of the Councils Constitution state that it is the responsibility of the Audit and Risk Committee to approve the Councils Annual Statement of Accounts.
- 8.2 Other than the statutory requirement to publish the signed audited accounts by the 30 September 2016, there are no further legal considerations.

9 EQUALITY IMPACT ASSESSMENT

- 9.1 An Equality Impact Assessment (EqIA) has not been completed as the report does not contain any policy changes.

10 COMMUNITY SAFETY IMPLICATIONS

- 10.1 There are no community safety implications.

11 HEALTH AND WELLBEING IMPLICATIONS

- 11.1 There are no health and wellbeing implications.

12 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 12.1 This report presents the audited Statement of Accounts for the financial year 2015/16 highlights some of the key matters, and asks the Audit and Risk Committee to approve them in line with their constitutional responsibility.

13 BACKGROUND PAPERS

13.1 Revenue and Capital Outturn (106/2016)

14 APPENDICES

14.1 Appendix A – Statement of Accounts

14.2 Appendix B – Key Statements Explained

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.