

Meeting:	Audit and governance committee
Meeting date:	Wednesday 20 September 2017
Title of report:	Signing of 2016/17 statement of accounts
Report by:	Head of corporate finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To approve the 2016/17 statement of accounts and to note the associated letter of representation from the external auditors, Grant Thornton.

The Local Audit and Accountability Act 2014 requires the council to produce a statement of accounts in accordance with the Accounts and Audit Regulations 2015. The process requires the accounts to be certified by the s151 officer by 30 June and then approved by the audit and governance committee by 30 September.

Recommendation(s)

That:

- (a) the 2016/17 statement of accounts (at appendix a) be approved; or**
- (b) the committee delegates to the chief finance officer the approval of the statement of accounts to encompass the remaining asset valuation of the energy from waste plant if this remains outstanding on 20 September, following consultation with the chairman; and**
- (c) the letter of representation (at appendix b) is signed by the chairman of the**

committee and the chief finance officer.

Alternative options

1. There are no alternative options as it is a statutory requirement to approve the accounts and sign the letter of representation.

Key considerations

2. The statement of accounts (appendix a) have been drawn up in accordance with the Accounts and Audit Regulations 2015, and the CIPFA code of practice on local authority accounting in the United Kingdom (the code). The code consolidates the statutory requirements and accounting standards that the council is legally required to follow.
3. The most significant matters in the 2016/17 accounts and a summary of the council's financial position are set out in the narrative report. Key points for 2016/17 include the following:
 - a) in 2016/17 the council underspent by £0.6m.
 - b) general fund reserves increased to £7.9m, 5% of its 2017/18 net revenue budget.
 - c) specific reserves have been set aside totalling £44.7m to mitigate financial risks in future years.

2016/17 statement of accounts

4. The main financial statements are prepared in accordance with international financial reporting standards. These comprise: the movement in reserves statement, a comprehensive income and expenditure account, a balance sheet and a cash flow statement.

Movement in reserves statement

5. This statement shows the movement in the year on the different reserves held by the council, analysed into usable and non-usable reserves. These are used to balance the council's balance sheet which details all assets and liabilities as at the end of the financial year.

Usable reserves

6. Total usable reserves at 31 March 2017 were £58.4m compared with £37.5m at 31 March 2016, summarised in the table below.

	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants unapplied	Total usable reserves
	£m	£m	£m	£m	£m
Balance as at 31 March 2016	7.3	28.5	0.5	1.2	37.5

Balance as at 31 March 2017	7.9	44.7	4.2	1.6	58.4
Increase/(decrease)	0.6	16.2	3.7	0.4	20.9

7. The general fund reserve balance increased by £0.6 as a result of the 2016/17 underspend. Details of the movements to and from earmarked reserves are shown on page 41 to the accounts with the main reason for the increase due to the interim success of ongoing litigation.

Unusable Reserves

8. Unusable reserves are not available to be spent. They include unrealised gains and losses, such as the revaluation reserve and timing differences for funding of spend on assets (through the capital adjustment account). The unusable reserves totalled £60.9m at 31 March 2017 compared to £96.2m at 31 March 2016 with the main movement being an increase in the pension liability of £42.6m, reflecting the impact of the change in financial assumptions following the completion of a triannual valuation. The estimated pension deficit on Herefordshire's fund as at 31 March 2017 is £248m; this represents the difference between the estimated value of obligations and the fair value of the pension fund assets. Further details can be found on page 70 to the accounts.

Comprehensive income and expenditure statement

9. This statement shows the accounting cost in the year of providing services as required under international reporting standards. This differs from the amount to be funded from council tax. Authorities raise taxation to cover expenditure in accordance with regulations. The adjustments to reconcile this statement to the amount to be funded from council tax are included in the movement in reserves statement.

Balance Sheet

10. The balance sheet summarises the council's assets, liabilities and reserves at the end of the financial year.
11. At 31 March 2017 long term assets totalled £617.9m, compared to £564.8m at 31 March 2016. Long term assets include the current valuation of property, plant and equipment the council uses in the provision of its services and the inclusion of capital investment during the year.
12. Current assets totalled £29.7m at 31 March 2017, compared to £41.8m at 31 March 2016, with the decrease due to less assets being held for sale at the year end.
13. Current liabilities totalled £72.0m at 31 March 2017, compared to £83.2m at 31 March 2016 with short term borrowing decreasing by £11.7m which reflects the decreased need to borrow due to the increase in usable reserves at the year end.
14. Long term liabilities totalled £456.3m at 31 March 2017 compared to £389.7m at 31 March 2016, following an uplift in the pension's liability and PFI commitments following the recognition of the energy from waste plant becoming operational.

Cash flow statement

15. This statement represents a summary of all cash flowing in and out of the council during 2016/17, during 2016/17 there was a net increase in cash and cash equivalents of £0.8m.

The collection fund

16. Note 8 to the accounts details the collection fund. This fund includes income from council taxpayers and business ratepayers, which totalled £165.4m in 2016/17 compared to £157.9m in 2015/16. Expenditure includes precept payments to West Mercia Police (£12.7m), Hereford and Worcester Fire Authority (£5.7m) and parishes (£3.5m). These are paid from income collected from taxpayers on their behalf. In 2016/17 business rates of £23.8m were paid to central government representing 50% of business rate income collected.

Letter of representation

17. Attached at appendix b is the council's letter of representation confirming that, to the best of the council's knowledge and belief, the financial statements, at appendix a, give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Community impact

18. Publication of the statement of accounts in accordance with statutory requirements helps the council to achieve its code of corporate governance commitment to behave with integrity, demonstrate strong commitment to ethical values, and respect the rule of law. The council is accountable for how it uses the resources under its stewardship, including accountability for outputs and outcomes achieved. In addition the council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.

Equality duty

19. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows. A public authority must, in the exercise of its functions, have due regard to the need to -
- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
20. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision in a mandatory finance function, we do not believe that it will have an impact on our equality duty.

Resource implications

21. Contained in the report.

Legal implications

22. As set out in the report.

Risk management

23. The risk is that the external auditors will not issue an unqualified opinion on the statement of accounts by the end of September. The risk is mitigated by providing working papers and officer time to help external auditors form an appropriate judgement on the statement of accounts by 30 September.

Consultees

24. The statement of accounts were made available for public inspection between 3 July and 11 August 2017. The council receive one response to this invitation. No objections have been received.

Appendices

25. Appendix A - 2016/17 statement of accounts
26. Appendix B - letter of representation

Background papers

27. None identified.