

<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>22 September 2016</b>
<b>Title of report:</b>	<b>Signing of 2015/16 statement of accounts</b>
<b>Report by:</b>	<b>Head of corporate finance</b>

## **Classification**

Open

## **Key decision**

This is not an executive decision.

## **Wards affected**

Countywide

## **Purpose**

To seek the audit and governance committee's approval of the 2015/16 statement of accounts.

## **Recommendation(s)**

**THAT:**

- (a) the 2015/16 statement of accounts (at appendix a) be approved; and**
- (b) the letter of representation (at appendix b) is signed by the chairman of the committee and the acting S151 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.

## **Reasons for recommendations**

- 2 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.

## Key considerations

- 3 The statement of accounts (appendix a) has 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.
- 4 The most significant matters in the 2015/16 accounts and a summary of the council's financial position are set out in the narrative report. Key points for 2015/16 include the following:
  - a) in 2015/16 the council underspent by £0.3m.
  - b) general fund reserves increased to £7.3m, 5% of its 2016/17 net revenue budget.
  - c) specific reserves have been set aside totalling £28.5m, this includes £9.4m of school reserves. These reserves will be used to mitigate specific key corporate financial risks, including any settlements required in respect of ongoing litigation.

### 2015/16 statement of accounts

- 5 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

- 6 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

- 7 Total usable reserves at 31 March 2016 were £37.5m compared with £40.7m at 31 March 2015, 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 2015	7.1	26.7	4.4	2.5	40.7
Balance as at 31 March 2016	7.3	28.5	0.5	1.2	37.5

---

Further information on the subject of this report is available from Josie Rushgrove, head of corporate finance on tel (01432) 261867

<b>Increase/(decrease)</b>	<b>0.2</b>	<b>1.8</b>	<b>(3.9)</b>	<b>(1.3)</b>	<b>(3.2)</b>
----------------------------	------------	------------	--------------	--------------	--------------

- 8 The general fund reserve balance increased by £0.2 as a result of the 2015/16 underspend. Details of the movements to and from earmarked reserves are shown in note 11 to the accounts.

### **Unusable Reserves**

- 9 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). There is also a negative reserve, a liability, for future pension fund deficit obligations. The unusable reserves totalled £96.2m at 31 March 2016 compared to £78.9m at 31 March 2015, the main movement being an increase in the revaluation reserve of £8.6m, reflecting an increase in fair value of assets held and a decrease of £7.3m in the external valuation of the pension deficit. The estimated pension deficit on Herefordshire's fund as at 31 March 2016 is £205.4m; this represents the difference between the estimated value of obligations and the assets held in the pension fund. Further details can be found in note 25 to the accounts.

### **Comprehensive income and expenditure statement**

- 10 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**

- 11 The balance sheet summarises the council's assets, liabilities and reserves at the end of the financial year.
- 12 At 31 March 2016 long term assets totalled £564.8m, compared to £537.5m at 31 March 2015. Long term assets include the current valuation of property, plant and equipment the council uses in the provision of its services. This valuation will increase by the capital spend in 2015/16 which included spend on improvements to our road network of £23m.
- 13 Current assets totalled £41.8m at 31 March 2016, compared to £29.5m at 31 March 2015. Cash and investment balances increased by £5.8m due to higher cash balances being held at the year end.
- 14 Current liabilities totalled £83.2m at 31 March 2016, compared to £66.2m at 31 March 2015. Short term borrowing increased by £17.4m in line with the approved treasury management policy to use short term borrowing to fund cashflow need.
- 15 Long term liabilities totalled £389.7m at 31 March 2016 compared to £381.2m at 31 March 2015. Long term borrowing increased by £14.5m, giving a total borrowing increase of £31.9m which has funded capital investment in 2015/16.

## **Cash flow statement**

- 16 This statement represents a summary of all cash flowing in and out of the council during 2015/16, during 2014/15 there was a net increase in cash and cash equivalents of £2.1m.

## **The collection fund**

- 17 Note 45 to the accounts details the collection fund. This fund includes income from council taxpayers and business ratepayers, which totalled £157.9m in 2015/16 compared to £151.0m in 2014/15. Expenditure includes precept payments to West Mercia Police (£12.2m), Hereford and Worcester Fire Authority (£5.5m) and parishes (£3.1m). These are paid from income collected from taxpayers on their behalf. In 2015/16 business rates of £23.8m were paid to central government representing 50% of business rate income collected.

## **Letter of representation**

- 18 Attached at appendix b is the councils letter of representation confirming that, to the best of the councils 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 2015/16 and applicable law.

## **Community impact**

- 19 None arising from the recommendations.

## **Equality duty**

- 20 No implications arising from the recommendations.

## **Financial 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 None.

## **Appendices**

Appendix a - 2015/16 statement of accounts

Appendix b - letter of representation

## **Background papers**

- None identified.