Gedling Borough Council

Report to Audit Committee

Subject: Statement of Accounts 2015/16

Date: 20 September 2016

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1. Purpose of the Report

To seek approval of the Council's Statement of Accounts for 2015/16.

2. Background

2.1 Overview

The Accounts and Audit (England) Regulations require the responsible financial officer to sign and date the Statement of Accounts by 30 June, and to certify that the Statement presents a true and fair view of the financial position of the authority. Accordingly, the Financial Services Manager (the Chief Financial Officer at the time) signed and certified the Council's Statement of Accounts on 30 June 2016.

The regulations further require that by 30 September 2016 the Statement of Accounts must have been considered and approved by the relevant committee, and at Gedling, this is the Audit Committee. The Statement of Accounts must be re-signed by the current Chief Financial Officer prior to being signed and dated by the chairman of the Audit Committee.

The Statement of Accounts for 2015/16 has now been audited and is attached at appendix 1. The accounts should be considered giving due regard to any comments made by the auditor in the Annual Governance Report, which is the previous item on this agenda.

2.2 The Economy

A challenging financial environment prevailed throughout 2015/16, with investment returns remaining low and risk levels heightened. The original expectation was that bank rate would start to rise around Q3 of 2015, however by 31 March 2016 this had moved back to Q2 of 2018 and Bank rate ended the year unchanged at 0.5%. The UK elected a majority Conservative government in May 2015, removing one potential uncertainty but introducing another due to the promise of a referendum on the UK remaining part of the EU. The government maintained its tight fiscal policy stance during the year, however the downturn in expectations for economic growth made it more difficult to plan to return public sector net borrowing to a balanced annual position within the period of the current parliament.

The European Central Bank (ECB) began a quantitative easing programme in March 2015 in an attempt to stimulate economic growth. In contrast, the US economy continued to grow as a result of resilient consumer demand, and the first increase in the US central rate took place in December 2015.

The Council will continue to monitor the external environment and develop and refine its strategies to counter threats from the wider economy. Ongoing pressures on costs, income streams and funding necessitated critical reviews of services during the 2016/17 budget process, and further significant expenditure reductions are planned over the next few years.

The Council's continuing robust financial position, combined with the medium term financial plan and projections for reserves and balances, means that it is well placed to deal with ongoing challenges, and with worldwide uncertainty.

2.3 Accounting Practice Changes

There were no major changes to the Code of Practice on Local Authority Accounting in 2015/16, however there were a number of minor amendments including ongoing changes associated with accounting for the Business Rates Retention Scheme.

3. Proposal

3.1 General Fund Capital and Revenue Outturn 2015/16

General Fund outturn figures for 2015/16 were reported to Cabinet on 16 June 2016. Net expenditure totalled £12,246,907, an underspending of £257,693 when compared with the current approved estimate for 2015/16, as detailed below. Revenue budget carry forward requests of £83,400 were approved, leaving a net underspending against the current estimate of £174,293 or 1.4%.

Portfolio	**Current Estimate 2015/16 £**	**Actual Exp 2015/16 £**	**Variance £**
Community Development	1,429,400	1,387,878	(41,522)
Health & Housing	2,238,300	2,153,246	(85,054)
Public Protection	1,506,900	1,409,169	(97,731)
Environment	4,471,900	4,378,203	(93,697)
Growth and Regeneration	1,174,500	1,090,906	(83,594)
Resources and Reputation	1,683,600	1,827,505	143,905
Total	**12,504,600**	**12,246,907**	**(257,693)**

The General Fund Balance at 31 March 2016 was £6.159m. This level of balances remains above the minimum required in the medium term financial plan however it should be noted that of the balance of £6.159m, £0.083m will be required to fund revenue carry forwards and £0.295m will be required for the Council's share of the Business Rates Collection Fund deficit.

Total capital investment during 2015/16 totalled £1.951m and this was financed by the use of capital receipts, grants and contributions, and General Fund revenue contributions. The council's total external debt at 31 March 2016 was £7.812m, all held with the Public Works Loans Board.

3.2 Major Variations 2015/16

Full details of budget variances were reported to members on 16 June 2016, however some of the more significant items are repeated below for information.

- Outturn on rent allowances was £0.040m higher than anticipated due to bad debt write-offs.
- Savings of £0.198m against the original estimate were made in respect of employee expenses, as a result of positive vacancy management and reflected in quarterly monitoring. These savings were partly offset by redundancy payments and additional staffing requirements and the underspend against the final approved estimate was £0.030m, in addition to a vacancy provision target of £0.090m.
- Net savings of £0.116m were made against the original estimate for utilities and reflected in quarterly monitoring. The underspend against the final approved estimate was £0.042m.
- Additional income from trade and garden waste totalled £0.057m due to growth in the customer base and additional services.
- Additional leisure centre fees and charges of £0.044m were largely due to pay and play users transferring to the DNA membership scheme.
- New Burdens grant for property search litigation, partially offset by settlement costs, resulted in additional land charges income of £0.070m.
- Council Tax summons cost income recovered was £0.042m lower than anticipated
- Extensions to the useful lives of Council vehicles led to a reduction in the number of sales, reducing fleet management income by £0.035m.

3.3 Balance Sheet Variances

The balance sheet shows a movement in net worth of £5.498m, from negative £12.340m at 31 March 2015 to negative £6.842m at 31 March 2016. Of this, £2.962m is due to technical actuarial valuation requirements of the Pension Fund under IAS 19, Retirement Benefits, and £2m is due to the redemption of outstanding PWLB debt. The decrease of £2.962m in the net pension deficit is due to the specific technical calculations required under IAS 19 which measure the net present value of future assets and liabilities. This technical valuation bears no resemblance to the cash position on the fund, which remains healthy.

During 2015/16 there were no significant revaluation losses due to falls in market value.

Due to the requirements of local authority accounting, changes in pension fund valuations and asset valuations do not have an immediate impact at taxpayer level.

Earmarked reserves increased by £1.189m during 2015/16. The most significant additions were the creation of a £0.5m leisure strategy reserve to provide for future investment in the Council's leisure facilities, and a further contribution of £0.355m to the Economic Development Reserve.

3.4 Audit of Accounts Process

The Accounts are scrutinised by the Council's external auditors, KPMG, with whom the Chief Financial Officer discusses progress regularly.

KPMG requires each authority to provide a letter of representation, providing certain assurances about the completeness and accuracy of its Statement of Accounts. A copy of this letter is attached at appendix 2.

The procedures that KPMG expects authorities to follow in providing a representation letter are that it should be dated on or near the date the auditors sign the audit opinion, and that it is signed by the person with responsibility for the financial statements after consultation with the Monitoring Officer on legal matters, and other matters as appropriate. It must be formally acknowledged by an appropriate committee of the Council, and in Gedling's case this is the Audit Committee.

4. Resource Implications

There are no specific resource implications arising from this report.

5. Recommendation

Members are recommended to:

1. Approve the Statement of Accounts for 2015/16 (appendix 1).
2. Approve the letter of representation (appendix 2).

6. Appendices

1. Statement of Accounts 2015/16
2. Letter of Representation