

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 24th June 2016

Subject: Publication of Draft Statement of Accounts 2015/16

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

- 1 The Responsible Financial Officer has reviewed the 2015/16 accounts and certified that they are a true and fair view of the Council's financial position.
- 2 The accounts have been drawn up based on proper accounting practice as required by the Accounts and Audit Regulations 2015.
- 3 The accounts will be available for public inspection for thirty working days commencing 29th June 2016.
- 4 Despite the continuing financial pressures impacting on local government, the Council continues to manage its financial affairs in an effective manner. The final outturn position for the general fund was a small underspend of £0.4m.

Recommendations

- 5 Members are asked to:
 - Note the 2015/16 unaudited Statement of Accounts as certified by the Deputy Chief Executive, who is the Council's Responsible Financial Officer.

1 Purpose of this report

- 1.1 The purpose of this report is to present to the Committee the 2015/16 Statement of Accounts prior to them being made available for public inspection. The Statement of Accounts is included with the agenda as a separate document for Committee members and will be published on the Council's internet site.

2 Background information

- 2.1 Whilst it is not a statutory requirement for members to formally approve these unaudited accounts before the 30th June, members of this committee requested that that they receive the accounts prior to them being made available for public inspection.

3 Main issues

3.1 Main Financial Issues

- 3.1.1 The following is a summary of the main financial issues raised by the 2015/16 unaudited accounts:
- The final outturn position for the year was a £1.1m use of the General Fund Reserve, which was £0.4m less than the figure budgeted for. Within this overall improved position there was an overspend of £4.3m against the Children's Services budget, which was offset by net savings across other directorates and within corporate budgets.
 - The Housing Revenue Account outturn position resulted in the use of £16.3m of its revenue reserves. This was largely due to the planned use of £16.5m of reserves set aside to contribute to the Little London, Beeston and Holbeck PFI scheme.
 - The Council's net worth during the year has increased by £66m, and as at 31st March 2016 stands at £854m. Within this increase in the net worth, there has been an increase of £298m in the value of tangible fixed assets, and a decrease in the net pensions liability of £53m. Net borrowing for capital and treasury management purposes has increased by £341m, reflecting an increase of £214m in the capital financing requirement and a reduction in the level of revenue balances which can be used to offset external borrowing.
 - The council's level of usable reserves decreased by £70m to £320m. The majority of the decrease was in ringfenced reserves, with usable capital reserves decreasing by £42m and ringfenced revenue reserves (primarily relating to the HRA and to schools) decreasing by £24m. The level of unringfenced revenue reserves fell by £4m.
 - The position within the Collection Fund for business rates has further deteriorated, with the closing deficit for 2015/16 standing at £70m, of which 49% will fall on the council. A significant element of this deficit (£47m) was taken into account when setting the 2016/17 budget. The outturn position therefore means that a further £23m will have to be recovered when the 2017/18 budget is set, with £11m of this falling on the council.

A full analysis of these and other financial issues is included in the Foreword of the Deputy Chief Executive which can be found at the front of the accounts.

3.2 Responsibilities and Timeframes for Approving the Statement of Accounts

3.2.1 The Accounts and Audit Regulations 2015 determine the roles and responsibilities for approving local government accounts. Under these regulations it is the responsibility of the Responsible Financial Officer to certify that the accounts are a true and fair view of the Council's financial position before the 30th June. The accounts must then be available for public inspection for thirty working days, which must include the first ten working days of July. This Committee is charged with approving and publishing the final audited accounts before the 30th September.

3.2.2 To enable members to discharge their responsibilities for approving the accounts the following assurances can, or will, be given within the approval process:

- On the 13th June the Deputy Chief Executive in his capacity as the Responsible Financial Officer reviewed the 2015/16 accounts and certified that they are a true and fair view of the Council's financial position.
- The accounts have been drawn up based on proper accounting practice as required by the Accounts and Audit Regulations 2015.
- KPMG's interim audit covered the council's organisational and IT control environment, the controls over key financial systems, and the process for producing the financial statements. The interim audit did not identify any reportable concerns in these areas.
- KPMG will undertake a detailed audit of the accounts in July and August to ascertain that, in their view, the accounts show a true and fair of the Council's financial position. They will report any significant issues back to this Committee in September.
- Stakeholders have thirty working days while the accounts are on deposit to look through the accounts and supporting documentation and raise any questions with the auditors or to object to the accounts. If considered significant the auditors would pursue the complaint or questions and determine if the accounts need amendment. Any significant issues raised in this way would be reported back to this Committee in September. For 2015/16, subject to Committee approval, public inspection will commence on the 29th June.
- Members have the opportunity to question officers on any aspect of the accounts at this Committee or in the September Committee prior to approving the accounts.

3.2.3 The committee will be aware from a report presented at the January 2016 meeting that the Accounts and Audit Regulations 2015 will require councils to approve their draft accounts by 31st May from 2017/18 onwards. The council is working towards this goal gradually, and the 2015/16 draft accounts have been approved on 13th June, in comparison to 25th June for the 2014/15 accounts.

3.3 Accounting Issues Impacting on the Financial statements

3.3.1 There have been no significant changes in accounting policy affecting the 2015/16 accounts.

3.4 External Audit Issues

- 3.4.1 In September 2015, KPMG reported back to this Committee its main audit findings in respect of the 2014/15 accounts and any recommendations or risks for the following year's accounts. There were no recommendations relating to the production of the accounts arising from the 2014/15 audit. In their annual audit plan which was presented to the committee in March 2016, KPMG identified one key area of audit risk for the 2015/16 accounts, the valuation of property, plant and equipment. Their interim audit, which is reported at this committee, raises no additional matters in respect of this issue.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 This is a factual report from the Deputy Chief Executive on the Council's 2015/16 financial accounts and consequently no public, ward member or councillor consultation or engagement has been sought.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 There are no issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and City Priorities

- 4.3.1 The Statement of Accounts is an audited publication which provides all stakeholders with the confidence that public money has been properly accounted for and that the financial standing of the Council is on a secure basis.
- 4.3.2 As required by the Accounts and Audit Regulations 2015, the accounts are to be made available for public inspection for thirty working days. Local electors and taxpayers have the right to look through the accounts and supporting documentation as well as the right to object to the accounts and question the auditors.

4.4 Resources and value for money

- 4.4.1 This is a factual report of the Deputy Chief Executive on the financial accounts of the Council for 2015/16. There are no additional financial or value for money implications.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The accounts are required to be certified as a true and fair view of the Council's financial position by the Responsible Financial Officer before the end of June. This report does not require a key decision and is therefore not subject to call in.

4.6 Risk Management

- 4.6.1 The Council's external auditors provide a risk assessment on the accounts process as part of their interim audit as reported to this Committee. For 2015/16 the external auditors have not identified any significant risks which would require them to undertake any additional audit work on the financial statements.

5 Conclusions

- 5.1 Despite the continuing financial pressures impacting on local government, the Council continues to manage its financial affairs in an effective manner and has maintained the level of general reserves at a prudent level. The Council's net worth has increased, reflecting an increase in the value of its fixed assets, and a decrease in the pensions deficit recognised in the accounts. Overall the Council continues to balance its finances and has a proven process for managing future budget pressures.
- 5.2 The Responsible Financial officer has certified that the accounts are a true and fair view of the council's financial position.

6 Recommendations

- 6.1 Members are asked to:
- Note the 2015/16 unaudited Statement of Accounts as certified by the Responsible Financial Officer.

7 Background documents¹

- 7.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.