

Report of the Chief Finance Officer

Report to Corporate Governance and Audit Committee

Date: 23rd June 2017

Subject: Publication of Draft Statement of Accounts 2016/17

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 Chief Finance Officer has reviewed the 2016/17 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 26th June 2017.
- 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 an underspend of £2.6m.

Recommendations

- 5 Members are asked to:
 - Note the 2016/17 unaudited Statement of Accounts as certified by the Responsible Financial Officer, prior to their release for public inspection.

1 Purpose of this report

- 1.1 The purpose of this report is to present to the Committee the 2016/17 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 2016/17 unaudited accounts:
- The final outturn position for the year was a £0.8m use of the General Fund Reserve, which was £2.6m less than the figure budgeted for. Within this overall improved position there was an overspend of £7.9m against the Children's Services budget, which was offset by an underspend of £6.4m against the City Development budget and net savings across other directorates and within corporate budgets.
 - The Housing Revenue Account outturn position resulted in the use of £10.0m of its revenue reserves. This included the use of £7.7m of reserves set aside to contribute to the Swarcliffe PFI scheme and the Little London, Beeston and Holbeck PFI scheme, and was after additional contributions of £3m to the Major Repairs Reserve to fund future capital expenditure.
 - The Council's net worth has increased during the year by £391m, and as at 31st March 2017 stands at £1,244m. Within this increase in the net worth, there has been an increase of £658m in the value of tangible fixed assets, partly offset by an increase in the net pensions liability of £80m. Net borrowing for capital and treasury management purposes has increased by £174m, reflecting an increase of £163m in the capital financing requirement and a slight reduction in the level of revenue balances which can be used to offset external borrowing.
 - The council's level of usable reserves decreased by £45m to £275m. The majority of the decrease was in ringfenced reserves, with usable capital reserves decreasing by £12m and ringfenced revenue reserves (primarily relating to the HRA and to schools) decreasing by £21m. The level of unringfenced revenue reserves fell by £12m, primarily due to the planned use of £10m of health and social care reserves during the year.
 - The position within the Collection Fund for business rates has slightly improved, with the closing deficit for 2016/17 having reduced by £25m to £49m, of which 49% (£24m) will fall on the council. A significant element of this deficit (£22m for the council) was taken into account when setting the

2017/18 budget. The outturn position therefore means that a further £2m will have to be recovered when the 2018/19 budget is set.

A full analysis of these and other financial issues is included in the Foreword of the Chief Finance Officer 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 at the September meeting of the committee, the following assurances can already be given, or will be given within the approval process:

- On 30th May 2017 the Chief Finance Officer in his capacity as the Responsible Financial Officer signed the 2016/17 accounts, confirming that he is satisfied that they present a true and fair view of the Council's financial position.
- The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which represents proper accounting practice for local authorities, as required by the Accounts and Audit Regulations 2015.
- KPMG have carried out interim audit work covering the council's organisational and IT control environment, the controls over key financial systems, and the process for producing the financial statements. No reportable concerns have been notified to date in these areas, and KPMG's full report on this audit work will be presented at the September meeting of this Committee.
- 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 2016/17, subject to Committee approval, public inspection will commence on the 26th 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 has been working towards this goal gradually, and these 2016/17 draft accounts have been approved on 30th May, in line with the deadline which will apply from 2017/18 onwards.

3.3 Accounting Issues Impacting on the Financial statements

- 3.3.1 There have been no significant changes in accounting policy affecting the 2016/17 accounts.

3.4 External Audit Issues

- 3.4.1 In September 2016, KPMG reported back to this Committee its main audit findings in respect of the 2015/16 accounts and any recommendations or risks for the following year's accounts. There were two recommendations relating to the production of the accounts. One of these concerned ongoing audit work on the valuation of the PFI Waste plant, on which a verbal update was provided by KPMG at the January 2017 meeting of this Committee. The other recommendation concerned the process for reviewing related party transactions, and this has been amended for the preparation of the 2016/17 accounts. In their annual audit plan which was presented to the committee in April 2017, KPMG identified two key areas of audit risk for the 2016/17 accounts, the valuation of property, plant and equipment, and the valuation of net pension liabilities.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 This is a factual report from the Chief Finance Officer on the Council's 2016/17 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 Chief Finance Officer on the financial accounts of the Council for 2016/17. 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 annual audit plan, which was presented at the previous meeting of this Committee. The specific areas identified as audit risks will be covered as part of their audit work over the summer, and any issues arising will be reported at the September meeting of this committee.

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, partly offset by an increase 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 2016/17 unaudited Statement of Accounts as certified by the Responsible Financial Officer, prior to their release for public inspection.

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.