

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

AUDIT & GOVERNANCE COMMITTEE – 21 SEPTEMBER 2016

Title of report	ANNUAL STATEMENT OF ACCOUNTS 2015/16
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Purpose of report	For the Committee to consider and approve the Annual Statement of Accounts for 2015/16.
Reason for Decision	To comply with the Accounts and Audit Regulations
Council Priorities	Value for Money
Implications:	
Financial/Staff	No direct implications.
Link to relevant CAT	None
Risk Management	The presentation of audited accounts giving a true and fair view assists in maintaining the council's financial standing and reputation.
Equalities Impact Screening	No impact.
Human Rights	None identified.
Transformational Government	No direct implications.
Consultees	External Auditors (KPMG)
Background papers	Working papers held in the Financial Planning section.
Recommendations	<p>(A) THAT THE COMMITTEE APPROVES THE ANNUAL STATEMENT OF ACCOUNTS</p> <p>(B) THAT THE CHAIRMAN OF THE MEETING IS AUTHORISED TO SIGN THE ACCOUNTS AS APPROVED</p> <p>(C) TO DELEGATE AUTHORITY TO THE COMMITTEE CHAIRMAN AND (DEPUTY) SECTION 151 OFFICER TO APPROVE ANY MINOR NON MATERIAL AMENDMENTS, AS AGREED WITH THE AUDITOR, TO THE ACCOUNTS ON BEHALF OF THE COMMITTEE</p>

1.0 BACKGROUND

- 1.1 The accounts of local authorities in the United Kingdom are covered by the Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code'). This must be followed to meet the requirements of the Accounts and Audit Regulations to 'present a true and fair view' of the financial position of the authority.
- 1.2 The Code is based on International Financial Reporting Standards ('IFRS'), amended as necessary in respect of legislation governing local authorities, and as a result of these rules and guidance the layout of the accounts is effectively prescribed and contains:
- Narratives – this sets out the main points on Revenue and Capital.
 - Statement of Responsibilities – shows the responsibilities of the Council and Chief Financial Officer for these accounts.
 - Accounting Policies – technical explanation of main policies and assumptions used in preparing the accounts.
 - Movement in Reserves Statement – shows the movement in reserves during the year between usable and unusable reserves, and the actual change to the reserves after all adjustments.
 - Comprehensive Income & Expenditure Account (I&E) – costs of all functions and how they were financed
 - Balance Sheet – shows all the Council's assets and liabilities at the year end, both long and short term.
 - Cash Flow Statement – sets out the flow of cash into and out of the Council.
 - Notes to the Financial Statements – these explain in more detail the make up of the various amounts included in the above items.
 - HRA (Housing Revenue Account) Income & Expenditure Account – this shows income and expenditure regarding Council dwellings.
 - Collection Fund – sets out the transactions relating to the collection and distribution of Council Tax and National Non-Domestic Rates (NNDR), or Business Rates as they are more commonly known.
 - Special Expenses Accounts – summarises spending in the special expenses areas of the district with details of how this is paid for.
 - Auditor's Report – this is the report of the external auditors, the Audit Commission, on the accounts for the year.
- 1.3 The published Statement of Accounts should provide electors, those subject to locally levied taxes and charges, members of the authority, employees, other stakeholders and interested parties clear information about the authority's finances. In addition, in order to ensure that the Council is making the best use of its resources Councillors are encouraged to undertake a robust review of these accounts and make sure that any issues are fully debated and any queries answered.
- 1.4 Basic questions answered by the accounts should be:
- What did the authority's services cost in the year of account?
 - Where did the money come from?
 - What were the authority's assets and liabilities at the year-end?
- 1.5 The Statement must comply with the Code so that comparisons can be made across different authorities and for this reason it is essential that authorities define individual costs in line with the Service Reporting Code of Practice (SERCOP). There should also be good notes and explanations to the accounts to aid understanding and, although by nature a technical document, the notes should be concise and understandable.

- 1.6 This paper is aimed at going a step further than the definitive notes to the accounts and explaining the wider context of the document and the contents. Each of the major sections of the accounts is explained below and a Glossary of Terms is shown on page 76 of the Accounts.

2.0 MAIN CHANGES TO ACCOUNTS

- 2.1 It is anticipated that the Statement of Accounts attached will be the final version without further changes being presented to the Committee for approval.

3.0 OTHER SECTIONS OF THE ACCOUNTS

- 3.1 The Statement of Responsibilities on page 10 underlines the responsibility, conferred by law, on the Deputy Section 151 Officer for the proper administration of the financial affairs of the authority. The person presiding at the meeting approving the accounts must also sign this Statement. The Deputy S.151 Officer and also the auditors have to confirm that the accounts present a 'true and fair' view.
- 3.2 The Income & Expenditure Account on page 24 and the Notes on pages 27 to 66, is one of the core documents in the Statement and reports the net cost for the year of all the functions of the Council and how these were financed. There are three distinct sections of this account.
- 3.3 The first section of the I&E on page 24 shows the costs of the authority's continuing operations, net of specific grants and income from fees and charges. This section combines the Housing Revenue Account with the General Fund activities and therefore represents information that is not shown elsewhere in the Council's financial reporting. This provides the Deficit in the Net Cost of Services of £3.288m.
- 3.4 The next section provides information on the income and expenditure relating to the council as a whole, i.e. these cannot be allocated to specific services, and shows how the Council's net expenditure was financed externally through Council Tax and General Government Grants and displays the gross Surplus on Provision of Services of £4.324m. Any gains and losses are then adjusted underneath this to give a Total Income & Expenditure Surplus of £28.127m. How this amount affects the council's reserves is then explained in the Movement in Reserves Statement on page 23 and notes on pages 28 to 30.
- 3.5 The Balance Sheet (page 25 and corresponding notes on pages 27 to 66) is fundamental to the understanding of an authority's financial position at the year-end. It shows balances and reserves available and the authority's long-term indebtedness, together with the fixed and current assets employed in its operations.
- 3.6 The Assets and Liabilities include:
- Fixed Assets – As stated above these were revalued as at 31 March 2016 and 'Tangible' fixed assets are recorded in the Balance Sheet using the principles set out on pages 17 to 20.
 - Intangible Fixed Assets – this comprises computer software and ancillary costs.
 - A list of movements in assets is shown in Note 9 on pages 35 to 38.
 - Long Term Debtors - represent mortgage loans owed to the Council from Right-to-Buy sales.
 - Current Assets - are items that could be readily converted into cash and the order of these represents their convertibility.
 - Other Long Term Liabilities is mainly the Pensions Liability of £38.467m – this large sum is calculated each year based on various parameters in accordance with IAS 19

and represents the difference in the scheme's assets compared to its liabilities. This is offset by a Pension Reserve in the final part of the balance sheet. The contributions to the scheme by both employees and the Council are targeted to eradicate any deficit over a period of 20 years.

- 3.7 Financing of the Assets less Liability is through various reserves and balances. This is more complicated in a local authority because there are no shareholder funds or proprietor's funds, as one would have in a commercial enterprise. These reserves are explained in the Movement in Reserves Statement on page 23. The Capital Adjustment Account represents the financing costs of the fixed assets used less the in-year costs of utilising those assets, for example depreciation and impairment. This reserve is not a resource available to the Council and represents assets already acquired.
- 3.8 The Consolidated Cash Flow Statement (Page 26 and corresponding notes on page 48) shows the significant elements of receipts and payments of cash by the authority in dealing with third parties.
- 3.9 The Housing Revenue Account (Pages 67 and 68, and notes on pages 69 to 71) is a 'ring fenced' account, although included in the Income & Expenditure Account, is separate from the General Fund and the entries are prescribed in legislation.
- 3.10 The Collection Fund (Pages 72 and 73) is another account prescribed by statute and deals with the transactions relating to the collection of Council Tax and the payment of precepts out to the County Council, Combined Fire Authority and the Police, as well as to North West Leicestershire District Council. The account represents a quasi 'trust' account as the balance on the account is shared out between the preceptors in proportion to the precepts levied in the year of the sharing decision. Each year a decision is made in January to estimate the balance on the account and a deemed surplus, or deficit, is allocated to each of the preceptors.
- 3.11 The National Non-Domestic Rates are collected on behalf of the Government and precepting authorities as well as the District. The amount the District is due is estimated at the start of the year but changes to the business rates base including revaluations and appeals, affect the year end position.
- 3.12 The Independent Auditors' Report will be explained by the external auditors.