

FINAL ACCOUNTS 2015/16

<u>Report of the:</u>	Head of Financial Services
<u>Contact:</u>	Lee Duffy
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
<u>Annexes/Appendices</u> (attached):	Draft Annual Governance Statement
<u>Other available papers</u> (not attached):	Final Accounts Working Papers 2015/16 Financial Statements 2015/16 Papers issued to all councillors 2016: <ul style="list-style-type: none">• General Fund Summary Position 2015/16• Major Budget Variances 2015/16• Capital Expenditure Position 2015/16

REPORT SUMMARY

This report summarises the Council's financial performance for 2015/16, seeks approval to the Annual Governance Statement for 2015/16 and notes the carry forward of capital provision for schemes where costs will be incurred in 2016/17.

RECOMMENDATION (S)

That the Committee:-

- (1) Receives the report on financial performance for 2015/16;**
- (2) Agrees the Annual Governance Statement as attached as an Annexe to this report;**
- (3) Notes the carry forward £2,065,000 provision for capital schemes to be added to the 2016/17 capital programme;**
- (4) Agrees that delegated authority be granted to the Head of Finance in consultation with the Vice Chairman of the Strategy and Resources Committee to make any amendments to the draft annual governance statement.**

Notes

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

1.1 The revenue budget and capital programme comprise the resources available for the delivery of Council services.

2 Introduction

2.1 Local Authorities are required to prepare a statement of accounts at the end of each financial year. In so doing authorities must comply with the Accounts and Audit Regulations and 'proper accounting practice' as defined in the 'Code of Practice on Local Authority Accounting in the United Kingdom'.

2.2 The Accounts and Audit (England) Regulations 2011 regulations require that the Financial Statements are signed/certified by the responsible financial officer (the Director of Finance and Resources) by 30 June each year. The statements must then be reported to, and approved by, committee and published by 30 September, together with the external audit report which should be available by that date.

3 General Fund Summary Position

3.1 In summary the final position for 2015/16 is: -

General Fund Summary 2015/16

	Original Budget £'000	Current Approved * £'000	Actual £'000	Variance £'000
Strategy and Resources Committee	2,400	2,067	1,187	(880)
Capital charges	(2,736)	(2,769)	(2,769)	0
Environment Committee	2,443	2,445	2,524	79
Social Committee	2,392	2,510	3,182	672
Leisure Committee	3,375	3,621	3,788	167
Total Net Expenditure	7,874	7,874	7,912	38
Funded by:				
Collection fund precept	5,581	5,581	5,581	-
Revenue Support Grant	1,007	1,007	1,007	-
Share of Local Business Rates	1,374	1,374	1,374	-
Transfer from Collection Fund	(317)	(317)	(217)	100
Total Funding (Budget Requirement)	7,645	7,645	7,745	100
Surplus (deficit) for the year	(229)	(229)	(167)	62

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** includes changes to employee and support services allocations and asset rental recharges from the original budget and reflects required changes in accounting practice.*

3.2 Information on the main variations within each policy committee was circulated to all Councillors in May.. Minor changes have since been made to these circulated figures. The central overhead allocations have now been finalised providing some changes between committee budgets but not significantly affecting the bottom line.

3.3 Net expenditure for the year is £62,000 less than the original budget. This will result in a contribution of £167,000 to be made from the General Fund Working Balance.

3.4 The working balance was £3,166,000 at 31 March 2016, calculated as follows:-

	£'000
Working Balance b/f at 31 March 2015	3,333
Deficit on General Fund for 2015/16	(167)
Working Balance as at 31 March 2016	3,166

3.5 The final net expenditure for 2015/16 compares to the forecast position reported in Quarter 3, which anticipated a contribution from the working balance of £276,000.

3.6 The most significant adverse variances in 2015/16 are:

- Homelessness (£615,000) – The number of households requiring accommodation reached over 90 in the year but various measures introduced resulted in reducing to 52 at year end.
- On Street Parking (£97,000) – This was mainly attributable to a large reduction in Penalty Charge Notices (PCNs) being issued, possibly as a result of successful enforcement in the previous year, coinciding with a review of the optimum number of staff to carry out enforcement duties and recruitment issues.

3.7 The most significant favourable variances in 2015/16 are from:

- In year savings, General Expenses (£499,000) – Savings held centrally after in year review by managers and the Finance Team to reduce the large deficit forecast at Quarter 1 and Quarter 2.
- Salaries and Central Support Costs (£360,000) – Savings were from a reduction in salaries and central support costs.
- General contingency, General Expenses (£200,000) – This contingency was earmarked early in 2015/16 to help address the significant overspend on homelessness.

- 3.8 Most of the outturn variances were forecast at quarter three and have already been reflected in the preparation of the 2016/17 budget. The on-going impact of other variances is being considered to identify the impact for 2016/17 and where relevant be incorporated into budget planning for 2017/18.

4 Reserves

- 4.1 Transfers have been made to and from revenue and capital reserves and provisions in line with Council policy for the reserves and as approved for specific schemes during the year.

- 4.2 The following transfers have been made in preparing the draft accounts: -

4.2.1 **Insurance Reserve** - £20,000 was drawn from this reserve to finance individual claims. At the end of 2015/16 the balance on this reserve was £473,000

4.2.2 **VAT Reserve** - £12,000 was transferred from this reserve to fund a claim against HMRC for the recovery of VAT from postal charges. The balance on the VAT reserve as at the end of 2015/16 is £216,000

4.2.3 **Repairs and Renewals Reserve** – £269,000 was transferred out of this reserve to finance approved expenditure. Budgeted contributions were made into this reserve of £24,000. At the end of 2015/16 the balance of this reserve, stands at £451,000.

4.2.4 **Property Maintenance Reserve** – £17,000 contribution made to this reserve to fund future backlog maintenance work. The balance on this reserve at the end of 2015/16 was £239,000.

4.2.5 **Corporate Projects Reserve** – contributions totalling £50,000 have been made from this reserve to finance authorised expenditure. A contribution of £1,458,000 has been made into this reserve from New Homes Bonus Grant which has been set aside to enable the acquisition of residential properties. Further contributions into this reserve totalling £12,000 have been made relating to grants received from DCLG. The overall balance on this reserve at the end of 2015/16 is £1,816,000.

4.2.6 **Personalisation, Prevention & Partnership Reserve** - £180,000 for third year of grant funding has been transferred to this reserve; the monies received via Surrey County Council will finance projects that can demonstrate support for health and social care. £153,000 worth of projects has been financed from this reserve in 2015/16. The balance on this reserve at the end of 2015/16 is £385,000.

4.2.7 **Housing and Planning Delivery Grant** – As agreed by S&R £34,000 has been transferred from this fund to finance expenditure. The balance on this reserve at the end of 2015/16 is £176,000.

4.2.8 **Civic Investment Fund** – As agreed by S&R £30,000 has been transferred from this fund to finance civic investment and expenditure on economic vitality. The balance on this reserve at the end of 2015/16 is £15,000.

4.2.9 **Business Rates Equalisation Reserve** – £300,000 has been drawn from this reserve to finance the Council's share of the deficit on business rates. A contribution of £53,000 and £100,000 have been made to this reserve from a balance previously held as a NNDR pool liability and to cover deficit payments due next year from the fund. The balance on this reserve as at 31/3/16 will be £582,000.

4.2.10 **CIL** – £2.5 million of receipts have been transferred into this reserve for future part funding of revenue or capital projects, however, only £1.6 million has been received with the remainder still owed to the Council. The Council's policy is to only apply actual cash received rather than amount invoiced for funding of projects.

4.3 A review of current balances held on revenue and capital reserves will be reported to the Financial Policy Panel on 13 September 2016.

5 Provisions

5.1 Part of the additional income from the recovery of housing benefit overpayments has been used to increase the bad debt provision for housing benefit overpayments. This was to mitigate the possible effects of the phased transfer of administration of benefits to central government under 'universal credit'. The outstanding debt as at the end of 2015/16 stands at £2.4 million. After making an additional net contribution of £570k to this provision this year, provision for bad debts stands at £1,734k, approximately 72% of the outstanding debt. The provision will be increased annually to reduce the risk of a shortfall when the transfer of the service is completed.

5.2 This provision will continue to be strengthened to manage the risk that the Council cannot recover debts once claimants are transferred to the new Universal Credit.Pension Fund

5.3 Pensions have been treated within the statements in accordance with recommended financial reporting standards for local authorities, additional information on pension costs and liabilities are included within the Core Financial Statements. The disclosure notes within the financial statements have been prepared in accordance with Financial Reporting Standard IAS 19. The net liability as at 31 March 2016 for accounting purposes is £28.1m compared to £31.1m at 31 March 2015. This does not comprise a full re-valuation of the fund.

5.4 The last valuation was in March 2013 and the next valuation will be carried out as at 31 March 2016.

6 Capital Expenditure 2015/16

6.1 A summary of the actual expenditure for each capital scheme was issued to all Councillors in May. In summary, expenditure in 2015/16 was as follows:-

Committee	Original Budget £000	Latest Budget * £'000	Actual £'000	Balance £'000
Strategy & Resources Committee	490	1,314	415	(899)
Environment Committee	2,799	635	195	(440)
Social Committee	801	875	448	(427)
Leisure Committee	310	2,389	1,883	(506)
Hospital Cluster	0	495	4	(491)
Total	4,400	5,708	2,945	(2,763)

** includes schemes rolled forward from 2014/15, the 2015/16 original programme plus new schemes approved during 2015/16*

6.2 The balance of £2.8 million in the above table includes capital schemes not yet delivered including the allocation of Section 106 planning gain funds for externally funded schemes. This is mainly due to difficulties in progressing schemes such as Horton Chapel a change in scheme for Blenheim Road flats, and completion date for work on IT.

6.3 The capital programme includes variances on a number of schemes where works have either been completed below the original estimate or where the scheme has not yet been completed, and project managers have requested that the provision be carried forward to 2016/17.

6.4 Provisions totalling £2,065,000 have been carried forward for schemes not completed in 2015/16, in line with Council approval on 11 February 2016, and a balance of £161,000 will be transferred back to capital reserves as savings. The level of commitment on schemes carried forward into 2016/17 will be examined by the Capital Member Group as part of the capital programme review.

6.5 The financing of capital expenditure in 2015/16 is summarised below:

	£'000
Capital reserves	807
Capital Grants	273
Other Capital Contributions (includes S106 and revenue reserves)	1,865
Total Capital Funding	2,945

7 Capital Receipts 2015/16

7.1 Capital receipts for 2015/16 are summarised below:-

	£'000
General Fund Property Receipts	1,285
Housing Receipts	377
Total Capital Receipts	1,662

7.2 The balance of capital reserves, grants and contributions unapplied as at 31 March 2016 subject to confirmation at audit, is as follows:-

Reserves	2014/15 £'000	2015/16 £'000
General Fund Capital Reserves	3,499	4,388
Hospital Cluster Capital Reserves	584	580
Total Capital Reserves	4,083	4,968

7.3 A forecast for receipts from asset disposals was taken into account when the capital programme was reviewed by the Financial Policy Panel in December 2015.

7.4 The level of reserves will be re-assessed by the Capital Member Group during this year's capital programme review.

8 Approval of Statement of Accounts

8.1 The Accounts and Audit (England) Regulations 2011 require a local authority to ensure that a statement of accounts is prepared and published in accordance with the provisions of the regulations and proper accounting practice.

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- 8.2 The draft Financial Statements have been prepared in accordance with the new Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 8.1 The Council must prepare, in accordance with proper practices, a statement of accounts for each year which includes the following:-
- An explanatory foreword;
 - A statement of accounting policies adopted, drawing attention to any changes of policy which have a significant effect on the results shown by the statement of accounts;
 - A statement of responsibilities for preparing the statements of accounts;
 - An annual governance statement;
 - A comprehensive income and expenditure statement;
 - A movement in reserves statement;
 - A balance sheet;
 - A cash flow statement;
 - The Collection Fund;
 - Other statements of the income and expenditure for funds which the Council is required by any statutory provision to keep a separate account;
- 8.2 The Annual Governance Statement is due to be submitted to the Audit, Crime & Disorder and Scrutiny Committee on 28 June 2016, as this falls after this S&R Committee it is being recommended that delegated authority be given to the Head of Finance in consultation with the Vice Chairman of the Strategy and Resources Committee to make any amendments to the draft annual governance statement. The draft governance statement is attached as an Annexe to this report.
- 8.3 The accounts will be signed by the Head of Finance by 30 June 2016, audited by the District Auditor and then submitted to this committee for approval on 27 September 2016.
- 8.4 A copy of the unaudited statements is available in the Members Room and will be made available on the web site from 30 Jun 2016.
- 8.5 **It would be helpful if any points of clarification on the accounts could be raised with the Head of Financial Services prior to the meeting.**

9 Legal Implications (including implications for matters relating to equality)

- 9.1 **Monitoring Officer's comments:** The legal implications pertaining to the Council's duties in respect of the preparation of accounts have been taken into account in the body of the report.

10 Risk Assessment and Conclusions

- 10.1 A risk assessment was included in the 2015/16 budget report. Monitoring arrangements during the year have allowed some corrective action to be taken on a number of budget variances, either during the year or as part of the Council's longer term service and financial planning.
- 10.2 An updated risk assessment was included in the 2016/17 budget report. Overall the final account position is broadly in line with what was anticipated when this risk assessment was completed in January. Further examination will however need to be carried out on any specific service where the financial position was worse than anticipated.
- 10.3 Key points on the accounts for 2015/16 are as follows:-
- 10.3.1 The Council incurred increased costs on homelessness and on-street parking.
- 10.3.2 The Council managed to reduce expenditure across most of its services to address the forecast overspend as a result of the increase in the cost of homelessness.
- 10.3.3 Overall net expenditure for the Council was less than budgeted, however, income was less than expenditure for the year resulting in a transfer of £167,000 needing to be made from the working balance.
- 10.3.4 The level of delivery on capital projects will be reviewed by the Capital Member Group.
- 10.4 Overall in 2015/16 the Council has maintained a prudent level of balances on revenue and capital reserves:-

	31 March 2015 £'000	31 March 2016 £'000
General Fund Working Balance	3,333	3,166
General Fund Provisions	6,350	7,318
CIL	612	2,526
Revenue Total	10,295	13,010
Capital Reserves	4,083	4,968

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- 10.5 The Council faces a challenge to deliver future savings that will achieve a balanced budget with further substantial reductions in government grant funding.
- 10.6 The capital programme included a number of schemes where provision needs to be carried forward into 2016/17. Funding remains in place to allow completion of these schemes however the Capital Member Group should examine the reason for slippage on individual schemes as part of the capital programme review. There was no significant capital overspend in 2015/16.
- 10.7 The Financial Statements will be reported to this Committee for approval in September following the completion of the external audit.
- 10.8 The draft financial statements have been made available in the Members Room and will be placed on the Council's website.

WARD(S) AFFECTED: ALL