

REDDITCH BOROUGH COUNCIL

AUDIT, GOVERNANCE & STANDARDS

21ST SEPTEMBER 2017

STATEMENT OF ACCOUNTS 2016/17

Relevant Portfolio Holder	Cllr John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering (Exec Director)
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

- 1.1 To enable Members to consider the Statement of Accounts 2016/17 and to recommend to Council their approval.

2. RECOMMENDATIONS

- 2.1 **That Audit, Governance and Standards considers the Statement of Accounts 2016/17 and recommends the approval of the accounts to Council.**

3. KEY ISSUES

Financial Implications

- 3.1 None other than those included in this report.

Legal Implications

- 3.2 The Accounts and Audit Regulations 2015 require that the Council complies with statutory accounting legislation and changes.

Service / Operational Implications

- 3.3 The Statement of Accounts were approved by the Executive Director of Finance and Resources by 27th June 2017 and submitted to the External Auditors Grant Thornton on the same day.
- 3.4 The Financial Statements have been audited by Grant Thornton and they have reported in their opinion that the accounts were better prepared than previous years and were supported by good quality working papers. The Grant Thornton audit opinion is included as an agenda item to this meeting. A copy of the Financial Statements is provided as Appendix 1.
- 3.5 There are some changes to the format of the accounts this year. For example the presentation of the Comprehensive Income and Expenditure Statement has been revised so that this will better reflect

how the Council is structured and manages its resources. In addition, a new funding and expenditure note will reconcile the movement on the General Fund balance to the Surplus or Deficit on Provision of Services. The proposed changes are designed to help make the accounts clearer for readers.

- 3.5 Included within the Statement of Accounts there are a number of core financial statements that provide a summary of the financial position of the Council. These are:

3.6.1 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the Statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council. This schedule shows the General Fund revenue balances for 2016/17 have decreased to £1,895k by £129k and earmarked reserves have increased by £393k to £1,816k. Details of individual earmarked reserves can be found in the notes to these financial statements.

3.6.2 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

3.6.3 The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for

example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

3.6.4 The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

3.7 The Supplementary Financial Statements:

3.7.1 The Collection Fund

The Collection Fund shows the transactions of the Council in relation to the collection of Council Tax, and National Non-Domestic Rates and the way in which these have been distributed to the preceptors (the police, fire authority, county council and parishes). It is a statutory requirement for billing authorities to maintain this account.

3.8 Financial Summary

3.8.1 General Fund Revenue Account

At its meeting on 22nd February 2016 Redditch Borough Council set a net revenue budget of £11,964k (including planned transfers from earmarked reserves). Band D equivalent Council Tax was set at £222.21, a 2.3% increase on the previous year.

There was a planned use of General Fund Revenue Balances of £477k but in 16/17 use of balances were actually £129k this has meant that

REDDITCH BOROUGH COUNCIL

AUDIT, GOVERNANCE & STANDARDS

21ST SEPTEMBER 2017

the Council has not had use as much as anticipated of General Fund balances. General Fund balances as at 31st March 2017 were £1,895k.

A summary of the net expenditure as reported through the management accounts compared with the budget for 2016/17 is shown below:

Strategic Purpose	Budget £'000	Actuals £'000	Variance £'000
Keep my place safe and looking good	5,094	4,582	(512)
Help me run a successful business	8	(40)	(48)
Help me be financially independent	531	58	(473)
Help me to live my life independently	410	381	(29)
Help me find somewhere to live in my locality	1,208	1,235	27
Provide Good things for me to see, do and visit	1,382	1,487	105
Enable others to work/do what they need to do (to meet their purpose)	7,519	7,459	(60)
Costs recovered from the Housing Revenue Account	(4,747)	(3,760)	987
Totals	11,405	11,402	(3)
Corporate Financing	(11,405)	(11,750)	(345)
General Fund Surplus	-	(348)	(348)
Planned Use of Balances	-	477	477
Contribution to reserves	-	(933)	(933)
Total as reported on Expenditure and Funding Analysis	-	(804)	(804)

3.8.2 Capital Expenditure

Capital expenditure amounted to £12.3m against a planned budget of £17.3m. The main areas of expenditure were in, Environmental Services replacement of vehicles & plant (£1.3m), Community Services for Disabled Facilities Grants and Discretionary Home Repairs (£430k), IT Hardware and Software (£74k), Leisure Services Health and Fitness Facilities (£372k) and Housing Revenue Account (£9.2m).

Customer / Equalities and Diversity Implications

3.9 None as a direct result of this report.

4. RISK MANAGEMENT

4.1 The risks associated with the effective and timely delivery of the Statement of Accounts are to be developed further to ensure that a robust plan is in place to address the concerns raised during this Audit.

5. APPENDICES

Appendix 1 – RBC Statement of Accounts 2016/17

AUTHOR OF REPORT

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