Audit, Governance and Standards Committee
28 June 2016
2015-16 Annual Accounts Update
Report by Director of Finance

Purpose
To update the committee on progress in completing and submitting the Council’s draft Statement of Accounts for audit by the statutory deadline of 30 June 2016.

Recommendations
To Resolve that -
1. The progress made producing the 2015/16 Statement of Accounts for audit by the statutory deadline of 30 June 2016 be noted;

Key Points

A. As in 2015, the Statement of Accounts will not be presented to the Committee until it has been audited and the Committee has received an Audit Findings report from the Council’s external auditors, Grant Thornton LLP. This, along with the approval of the Statement of Accounts, will take place at the meeting of the Committee on 22 September 2016.

B. There is no statutory requirement for the unaudited Statement of Accounts to be presented to this Committee. The statutory requirements detail that the unaudited accounts must be signed as authorised for issue by the Council’s Chief Financial Officer and presented for audit before 30 June 2016. The Statement of Accounts is then required to be audited and approved with an audit opinion, by the Audit and Governance Committee before 30 September 2016.

C. The Council is on course to complete the Statement of Accounts and supporting working papers for submission to audit before the 30 June 2016 deadline. In previous reports to the Committee it was intended to complete the work and submit draft accounts by 31 May 2016, as part of the process for preparing for the change in the Regulations which will bring forward the deadline from 2017-18. This has not been achieved for reasons detailed below.

D. The 2015/16 Statement of Accounts will, again contain Group Accounts which consolidate the Council’s interest in Achieving for Children Ltd (AfC). The accounts for this company were submitted for audit at the end of May 2016 with the audit currently progressing.

E. High level and key features of the 2014/15 Statement of Accounts are highlighted within this report for the Committee to note subject to the audit of the Council’s accounts. A full analysis of the Council’s audited accounts will be presented to the Committee at its September meeting.
Context

1. The Audit and Governance & Standards Committee is required to approve the audited Statement of Accounts 2015/16 and receive the report on those accounts from the Council’s external auditor, Grant Thornton LLP, by 30 September 2016. The Council must also publish its audited Statement of Accounts, including the auditor’s opinion by this date.

2. The Council is required to submit its unaudited Statement of Accounts 2015/16 to the external auditors with supporting working papers by 30 June 2016. This includes the Pension Fund Accounts as well as the draft Annual Governance Statement.

Statement of Accounts 2015/16 Production

3. At the time of writing the Statement of Accounts had been completed and submitted for review by Senior Officers. The Group Accounts element of the Statement of Account is in draft awaiting confirmation of the results of AfC’s audit and any changes that might arise from that process.

4. The process in 2015/16 has been less smooth than last year’s, with some slippage against the initial timetable which was set ambitiously to provide a “trial run” towards achieving what will become the deadline for submission in 2017/18 of 31 May.

5. The main reasons for the delay are

   ● Work associated with the development of Outcome Based Budgeting has meant that during the year, the level and amount of Finance team support to service managers was reduced. This, in turn meant that some work which could have been completed in the period January to March 2016 was not done until April, and impacted on the finalisation of the revenue outturn position.

   ● Some staffing changes and unexpected illness within the team has meant that the key staff leading the process have changed.

6. However, despite this, the Committee can be assured that the Statement of Accounts will be signed by the Chief Financial Officer on or before the statutory deadline of 30 June 2015.

7. Once the accounts have been finalised, a key task will be the production of a “lessons learned report” which will highlight areas where the process can be improved or streamlined to ensure that the earlier deadline can be achieved in future years.

Accounting Policies 2015/16

8. There are no significant changes to accounting policies for 2015/16.

AfC - group accounts

9. The Council is required to produce Group Accounts for inclusion in its Statement of Accounts. This is to recognise the Council’s interest in its joint venture, AfC. AfC’s accounts have been consolidated with the Council’s single entity accounts using the equity method, recognising AfC as a joint venture from the Council’s perspective. The Group Accounts therefore contain consolidated
versions of the main statements (Movement in Reserves Statement; Comprehensive Income & Expenditure Statement and Balance Sheet).

10. The Group Accounts will recognise 50% of the profit or loss realised by AfC in 2015/16, in accordance with the Council’s ownership share. At the time of writing the audit of AfC’s accounts is ongoing, but it is hoped that it will conclude in time to allow the Councils to consolidate audited statements before submission of the accounts to the Council’s auditors by 30 June statutory deadline.

11. Further details on AfC’s audited accounts and their effect on the Council’s Group Accounts will be provided to the Committee when approving the Council’s Statement of Accounts at its September meeting.

Statement of Accounts 2015/16 – key features

12. The financial performance against the Council’s revenue budgets for the General Fund, Housing Revenue Account (HRA) and Schools budget will be presented to and scrutinised by the Treasury Committee on 30 June 2016. Both the General Fund and HRA achieved under spends which have enhanced their respective balances or earmarked reserves. There was a significant overspending Schools budget that has led to an overdrawn balance on that account. The capital programme outturn will be reported to the same meeting.

13. The key features below show the effect on the balance sheet of accounting adjustments and the results of fair value revaluation and indicators in the Council’s performance in managing its short term creditors and debtors. Items are described only where there has been a material change between 31 March 2015 and 31 March 2016. A full report on the Statement of Accounts will be presented to Committee, along with the audit findings report in September 2016.

14. Asset Valuations – the value of Property, Plant and Equipment at 31 March 2016 has increased by £56.69m to £839.64m largely due to a combination of upward revaluations in the 2015/16 property valuation cycle driven by the property market and additional assets brought on to the balance sheet of £41.77m emanating from the capital programme.

15. Pension Fund Liability – the Council’s actuary has calculated that, in accordance with IAS19, Pension Fund assets have increased by £9.65m and pensions liabilities, in the same period, have decreased by £45.23m. This has led to a decrease in the Council’s net pensions liability of £54.87m. The Pension Reserve at 31 March 2016 is £195.197m. In common with other local authorities, the Council’s pension provision is by way of a funded scheme.

16. Whilst the net current current asset (that is current asset less current liabilities) have marginally reduced between years by £1.55m. Current assets have reduced by £4.78m to £71.26m. Within current assets short term debtors have reduced from £50.17m to £45.14m. Short term investments have reduced by £5.35m and there has been a reclassification of assets held for sale is now regarded as a current asset which was previously classified as long term assets.

17. Cash and cash equivalents has remained relatively stable with a slight movement of £0.607m increase in balances, which now stand at £3.70m.
18. Current liabilities have also reduced by £3.22m to £50.19m with short term creditors reducing by £5.04m to £43.48m, whereby both short term provisions and short term borrowing have increased by £1.19m and £0.378m respectively.

19. Usable Reserves has a net movement reduction of £2.18m – Earmarked reserves have increased by £3.31m which are earmarked reserves for specific items as planned.

20. Unusable Reserves – have increased by £115.57m largely due to the effect of pension movement on the Pension Reserve of £54.88m; the asset revaluations on the Revaluation Reserve of £38.21m and Capital Adjustment account of 27.84m. There are net reduction adjustment of £5.3m relating to the Collection Fund and Available for Sale adjustment accounts

21. Collection Fund - the Council has reported a cumulative deficit of £5.60m at 31 March 2016. This deficit takes into account both Council Tax (£2.39m surplus) and NNDR (£7.99m deficit). The RBK element of this cumulative deficit was a net £0.427m (£1.97m surplus relating to Council Tax and £2.39m relating to NNDR deficit). The remaining £5.18m relates to:
   - The Greater London Authority       -       £1.18m
   - Central Government                 -       £4.00m

22. The deficit in respect of NNDR is inclusive of the provision made for the potential impact of appeals. The change of estimated impact of these appeals has been accounted for in 2015/16. The difference between the actual surplus of the Collection Fund and the estimate made when setting the 2015/16 budget will be taken into account when setting the 2016/17 budget.

Pension Fund Accounts – 2015/16

23. The Statement of Accounts includes the Council’s Pension Fund Accounts. There have been relatively few changes to the accounting requirements for the Pension Fund other than additional disclosure surrounding investment, administrative and oversight and governance expenses.

Annual Governance Statement – 2015/16

24. A draft Annual Governance Statement is submitted to the auditors as part of the Statement of Accounts. The final version of this statement will, subject to a change in the Terms of Reference at July Council, be approved by Audit, Governance and Standards Committee at the meeting in September 2016

Timescale

25. The statutory deadlines for the production and approval of the Statement of Accounts are indicated in body of this report.

Resource Implications

26. There are no resource implications arising from this report.

Legal Implications

27. None

Risk Assessment

28. There are no risks arising from this report
Equalities Impact Assessment

29. There are no direct equalities implications arising from this report.

Network Implications

30. None

Environmental Implications

31. None

Background papers

held by author/other - Richard Jones (Capability Lead – Finance Accounting) - 020 8547 5586 richard.jones@kingston.gov.uk

Author of report - Jeremy Randall, Head of Finance - Strategy & Accounting - 020 8547 5572 jeremy.randall@kingston.gov.uk

- None other than those referred to in this report