

**REPORT FOR: Governance, Audit, Risk  
Management and Standards  
Committee**

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**Date:** 19 July 2016

**Subject:** **INFORMATION REPORT**  
Draft Statement of Accounts 2015-16 and Draft  
Pension Fund Accounts 2015/16

**Responsible Officer:** Dawn Calvert, Director of Finance

**Exempt:** No

**Enclosures:** Appendix 1: Draft Statement of Accounts 2015-  
16  
Appendix 2: Draft Pension Fund Annual Report  
2015-16

## **Section 1 – Summary and Recommendations**

This report sets out the draft Statement of Accounts for 2015-16.

**Recommendations:**

The Committee is asked to consider and note the draft Statement of Accounts and Pension Fund Annual Report for 2015-16

**Reason:**

To keep the Committee informed of the planned work.

## **Section 2 – Report**

### **Background**

1. The Accounts and Audit (England) Regulations 2015, require authorities to prepare Statement of Accounts in accordance with proper practices. These require that the Accounts are prepared by 30th June and approved and published by 30th September after the end of the financial year.
2. The 2015 Regulations require the audited accounts to be submitted to the 'relevant body' for approval by 30<sup>th</sup> September. At Harrow, the relevant body nominated to receive and approve the accounts is the GARMS Committee. Whilst there is no legal requirement to submit draft accounts for consideration by the Committee, the Council does so to give the Committee the opportunity to review the draft Accounts in detail before being asked to approve the audited Statement of Accounts in September 2016.
3. The reporting of the Statement of Accounts is a major part of the strategic principle of providing proper management and stewardship of all the Council's Resources. The Accounts have been prepared in accordance with proper accounting practices and relevant statutory requirements as set out in the following:-
  - a. The Code of Practice on Local Authority Accounting in the United Kingdom 2015-16;
  - b. All relevant International Financial Reporting Standards (IFRS); and
  - c. The Service Reporting Code of Practice (SERCOP).

### **Current Position**

4. The Council's accounts for 2015-16 are now closed subject to any audit adjustments. We have met the statutory requirement of providing a comprehensive set of accounts on 30<sup>th</sup> June 2016. The comprehensive schedule of working papers have been provided to the External Auditor.
5. The detailed annual audit commenced on 4<sup>th</sup> July with completion expected during August. Members are reminded that a GARMS Committee meeting is scheduled for the 8<sup>th</sup> September 2016 to consider and approve the audited Statement of Accounts. The accounts are due to be signed off by the external auditor by the statutory deadline of end of September 2016. The Committee will receive a report from the external auditor in September at the conclusion of the annual audit.
6. The Public Inspection of the accounts takes place from 1<sup>st</sup> July 2016 until 11<sup>th</sup> August 2016.

## Accounts Summary

7. The **Narration Report** includes the performance of the Council and provides an outlook for the future which is summarised below:-
  - a. **Revenue:** the Council achieved a surplus of £2.587m which represented 1.5% of the approved budget (£167.381m). The underspend has been transferred to specific reserves to manage future risks and for specific projects;
  - b. **Capital:** Actual spend was £93m which was mainly funded by grants (£50m), and revenue, capital receipts and borrowing (£43m). There was slippage of £58m (mainly related to IT related projects, the Schools Expansion Programme and the Property Purchase Initiative) which will be carried forward to 2016-17; and
  - c. **Outlook:** The Medium Term Financial Strategy has identified the need to make savings of £53m over the coming four years (2016-17 to 2019-20). To meet this target, the council is re-engineering its future business and organisational arrangements.
  
8. The **Comprehensive Income and Expenditure Account** shows the true economic cost of providing Council services. The surplus reported for the year is £196m. This is mainly due to reversal of prior year's impairments on Council Dwellings (£43m) and a net current year revaluation surplus on other land and buildings (£42m). The surplus also increased due to a reduction in pension liabilities (£79m).
  
9. However, under the statutory regulations some of these costs (e.g. impairments, IAS 19 costs, etc.) are not taken into account when setting the Council Tax and Dwelling Rents. These are reversed in the **Movement in Reserves Statement** which summarises the Council's total usable and unusable reserves. The usable reserves balance has decreased by £5m mainly due to £15.4m of the balance of unspent capital grants received in previous years being used to fund the capital programme. This was offset by £10.8m of proceeds from capital receipts and HRA Right-to-Buy receipts that have been retained to fund future capital expenditure.
  
10. The **Balance Sheet** sets out the financial position of the Council as at 31<sup>st</sup> March 2016. The overall increase in net assets of £196m is mainly due to the impact of rising property prices on the value of Council Dwellings and the Property Portfolio. In addition long term liabilities reduced due to changes in the financial assumption used by the actuary to value IAS19 Pension Liability. There was also a change in the liquidity ratio from 1.5 in 2014-15 to 1.4 in 2015-16 mainly due to a reduction of £16.5m in the balance of cash and short term investments.
  
11. The **Cash Flow** statement shows how the Council generates and uses cash.

12. The **Housing Revenue Account (HRA)** shows the true economic cost of providing housing services. The surplus reported for the year is £47m. This is due mainly to reversal of prior year impairments on Council Dwellings. After reversing costs that are not taken into account in setting Dwelling Rents the balance on the HRA has increased by £2.1m to £6.7m.
13. The **Collection Fund** statement shows a net carryforward surplus of £7.6m, made up of Council Tax £6.6m and Business Rates £1m. During the year for Council Tax there was higher than expected council tax yield from significant levels of new properties having come on stream. A lower than anticipated Business Rates appeals provision requirement contributed to the in year surplus. A proportion of the total surplus is paid to Central Government and the Greater London Authority.
14. The net assets of **Pension Fund** at year end are £661m. This has decreased by £14m from the previous year reflecting the fall in the market value of investments (£20m) and this being partly offset by monies transferred from other funds (£5m).

#### **Financial Implications**

15. There are no direct financial implications arising from this report.

#### **Risk Management Implications**

16. There are no risk implications.

#### **Equalities Implications**

17. There are no equalities implications.

#### **Corporate Priorities**

18. The Statement of Accounts provides assurance that the Council has managed and delivered its finances in accordance with its approved plans and budget.

### **Section 3 – Statutory Officer Clearance**

Name: Dawn Calvert



Director of Finance

Date: 6<sup>th</sup> July 2016

### **Section 4 - Contact Details and Background Papers**

**Contact:** Technical Finance and Accountancy (Tel: 0208 424 1335 – internal 2335)

**Background Papers:** None

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