

REPORT FOR: Governance, Audit, Risk Management and Standards Committee (GARMS)

Date:	8 September 2016
Subject:	Statement of Accounts 2015-16
Responsible Officer:	Dawn Calvert, Director of Finance
Exempt:	No
Enclosures:	Appendix 1: Statement of Accounts 2015-16 Appendix 2: Pension Fund Annual Report 2015-16 Appendix 3: Summary Statement of Accounts 2015-16 Appendix 4: External Audit Report on the Audit of the Statement of Accounts and the Harrow Pension Fund for the year ended 31 March 2016 (To follow)

Section 1 – Summary and Recommendations

This report presents the audited Statement of Accounts for 2015-16.

Recommendations:

1. Consider the reports of the External Auditor on matters arising from the audit of the Statement of Accounts 2015-16 and the Pension Fund Annual Report 2015-16; (recommendations continued overleaf)

2. Approve the audited Statement of Accounts 2015-16 and note the Pension Fund Annual Report 2015-16 and authorise the signing thereof by the Chair;
3. Authorise the Director of Finance, following consultation with the Chair, to make any final amendments to the Accounts and Pension Fund Annual Report arising from the external audit prior to the signing of the accounts by the auditor; and
4. Note the Summary Statement of Accounts 2015-16.

Reason:

Under the Accounts and Audit Regulations 2015 the Statement of Accounts must be approved by a committee of Members. Once approval has been given, the Chair of the committee is required to sign and date the Statement of Accounts.

Section 2 – Report

Background

1. In July 2016 the GARMS committee received a report on the draft Statement of Accounts 2015-16. This report is on the audited Statement of Accounts for 2015-16.
2. The Accounts and Audit Regulations 2015, require authorities to prepare Statement of Accounts in accordance with proper practices. The Statement of Accounts is required to be prepared by 30 June and signed and dated by the responsible financial officer (Director of Finance section151 officer).
3. Following the public inspection period, the Regulations require the audited Statement of Accounts to be submitted to a committee for approval. The statement of Accounts must be signed and dated by the Chair of the Committee. At Harrow, the Committee nominated to receive and approve the accounts is the GARMS committee.
4. The approved Statement of Accounts must be published by 30 September after the end of the financial year to which they relate.
5. The publication of the Statement of Accounts set out the Council's financial performance for the year of account. They provide public information on the Council's financial performance, and are a substantial part of the process by which the Council is held accountable to the public for the proper management and stewardship of the Council's resources.

6. The Pension Fund Annual Report is included within the appendices to this report and will be subject to approval by the Pension Fund Committee.
7. In accordance with International Standard on Auditing (ISA) 260, the external auditor (KPMG LLP) prepares detailed reports on matters arising from the audit of the Statement of Accounts and Pension Fund Annual Report. This report is required to be considered by “those charged with governance” [GARMS] before the external auditor can sign the accounts. This report is being finalised by the external auditors and is to follow.
8. This is the first financial year (2015-16) that KPMG LLP have been the external auditors for this Authority, having taken over the role from Deloitte LLP.
9. The Annual Governance Statement is included in the Statement of Accounts. A separate report on the agenda for this meeting recommends its approval in its own right.

Accounts Summary

10. The **Explanatory Foreword** includes the performance of the Council and provides an outlook for the future. The revenue surplus of £2.587m and the capital spend of £93m reported in the draft version of the accounts provided at the GARMS meeting in July remain unchanged.
11. The **Comprehensive Income and Expenditure Account (CIES)** shows the true economic cost of providing Council services. The surplus of £196m reported in section 4.2 of the draft accounts at July GARMS remains unchanged.
12. Under statutory regulations some of the costs disclosed in the CIES (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 decrease of £5m in usable reserves balance reported in section 4.1 of the draft accounts at July GARMS remains unchanged.
13. The CIES surplus of £196m has provided a net increase in total Authority reserves. This in part is due to re-measurements (change in financial assumptions impacting on the net present value) of the net pension liability (£79m) and a net current year revaluation surplus on non current assets (£42m). The £75m surplus on provision of services accounts for the remainder of the difference.
14. The **Balance Sheet** sets out the financial position of the Council as at 31st March 2016. The balances reported in section 4.3 of the draft accounts at July GARMS remain unchanged.

15. Property, Plant and Equipment has increased by £158m over 2014-15 due primarily to an increase in the market value of Council Dwellings (£43m), Other Land and Buildings (£41m) and additions (£63m) mainly through the Schools Expansion Programme.
16. Long Term Debtors has increased by £4.8m over 2014-15 due to additional loan monies being released to the West London Waste Authority (WLWA).
17. Other Long Term Liabilities decreased by £63m due to a reduction in IAS19 Pension Liabilities
18. At the end of 2015-16 the Authority held £19.4m less capital Grant Receipts in Advance compared to the previous financial year.
19. As a consequence of the movements within the net assets section of the Balance Sheet Usable Reserves have decreased by £5m to £90m and Unusable Reserves have increased by £281m to £301m giving a total balance sheet worth of £391m
20. The **Cash Flow** statement shows how the Council generates and uses cash. There has been no amendment to the version reported at July GARMS in section 4.4 of the draft accounts.
21. The **Housing Revenue Account (HRA)** shows the true economic cost of providing housing services. The surplus of £47m and the balance on the HRA of £6.7m reported to July GARMS in section 6 of the draft accounts remains unchanged. This surplus is due mainly to reversal of prior year impairments on Council Dwellings of £43m.
22. The **Collection Fund** statement shows a net surplus of £7.6m. This remains unchanged from section 7 of the draft accounts reported at July GARMS. Council Tax generated an in year surplus of £2.5m and Business Rates a surplus of £5.5m. A reduction in the provision required for the Business Rates appeals contributed to the surplus.
23. Net assets of **Pension Fund** at year end are £661m. This remains unchanged from section 9 of the draft accounts reported at July GARMS. This has decreased by £14m from previous year due mainly to reductions in the market value of investments.
24. The ISA260 report contains matters raised by the auditor, their recommendations on the issues, and the management response. Any further update on these items will be given verbally at the meeting. This part of the report is being finalised by the external auditors and is to follow.

Financial Implications

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

Risk Management Implications

26. There are no risk implications.

Equalities Implications

27. There are no equalities implications.

Corporate Priorities

28. 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: Sharon Daniels



For Finance Director

Name: Noopur Talwar



For Legal Services

Date: 30 August 2016

Section 4 - Contact Details and Background Papers

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

Background Papers: None