

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **19 September 2016**

Report of: **Director of Finance and Resources**

Subject: **STATEMENT OF ACCOUNTS**

SUMMARY

Local Authorities have a duty to prepare and publish an annual Statement of Accounts in accordance with regulations issued by the Secretary of State. Members are requested to formally approve the annual Statement of Accounts for 2015/16 that is attached to this report.

RECOMMENDATION

That the Statement of Accounts for 2015/16, attached as Appendix A, be approved and published by 30 September 2016.

INTRODUCTION

1. The Audit Commission Act 1998 requires the Council to prepare a Statement of Accounts and have them audited.
2. The Accounts and Audit (England) Regulations 2011 requires every local authority to adopt proper accounting practices in the preparation and publication of the Statement of Accounts.
3. The Local Government Act 2003 (Section 21) defines proper accounting practices for this purpose to be the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) for the relevant year.
4. The Statement of Accounts set out in Appendix A has been prepared in accordance with the Code.

THE PURPOSE OF THE STATEMENT OF ACCOUNTS

5. The Code is based on approved accounting standards so that an authority's accounts present a "true and fair view" of the financial position and transactions of the authority. It has been prepared on the basis that the purpose of a local authority's published Statement of Accounts is to give electors, Members and other interested parties clear information about the authority's finances.

THE AUDIT PROCESS

6. The Statement of Accounts attached as Appendix A has been audited. The Council's external auditors are Ernst & Young LLP (EY) and they are responsible for forming an opinion on the Statement of Accounts and certifying that it is a "true and fair" view of the financial position of Fareham Borough Council as at 31 March 2016.
7. The audit opinion is based upon a detailed audit carried out by EY during July and August 2016 in accordance with statutory requirements.
8. Before the audit opinion is certified EY will report to Members, in accordance with the International Standards of Auditing (ISA260), whether or not there are any issues arising from the audit of the accounts (see separate report on the agenda of this meeting).

KEY ISSUES AND MATTERS OF INTEREST

9. The key issues and matters of interest arising from the 2015/16 Statement of Accounts are:
 - Holly Hill Leisure Centre – Construction began at the new Holly Hill Leisure Centre in Sarisbury Green. £4.8 million was spent during the year against a £9 million capital budget.
 - Housing Stock – During the year, the Council sold 15 homes under the right to buy scheme (6 in 2014/15). 40 new flats at the Collingwood Court Sheltered Housing Scheme and 6 new houses at Allotment Road also became operational.
 - Pension Fund – The Council's pension fund liability decreased by £2.8 million to £49.2 million during 2015/16 (£6.8m increase in 2014/15). The main reason for the

change is due to actuarial gains as a result of changes to the financial assumptions used.

- Business Rate Appeals – The business rate appeals provision increased by 55% to £4.1 million (increased 96% to £2.6 million in 2014/15). The main reasons for the increase are that very few appeals have been settled as the Valuation Office Agency has been dealing with the 2017 revaluation; there have been changes in market intelligence in estimating the provision and new appeals have added £726,000 to the provision.
- Commercial Property Acquisitions – During the year the Council purchased two commercial properties, as part of the commercial property investment acquisition programme, at a cost of £9.9 million (two were purchased in 2014/15 for £2.2 million).
- Community Infrastructure Levy (CIL) – The Council raised £1.1 million from CIL during 2015/16 (£2.4 million in 2014/15). This has been transferred to the Council's capital reserves. £2.4 million of CIL reserves were used to fund the construction of Holly Hill Leisure Centre.

THE CONTENT OF THE STATEMENT OF ACCOUNTS

10. The following paragraphs give a brief outline of the various sections included within the Statement of Accounts.

Explanatory Foreword

11. The explanatory foreword helps to explain the content of the accounts; provides summaries of the different types of income and expenditure (revenue and capital) for the General Fund and Housing Revenue Account (HRA); explains the levels of reserves and pension fund liability and describes the significant developments during the year.

Statement of Responsibility for the Statement of Accounts

12. This statement sets out the responsibilities of the Council, the Audit and Governance Committee and the Director of Finance and Resources for the production and approval of the accounts.

Confirmation of Approval by Members

13. This section carries the signature of the Chairman of the Audit and Governance Committee to confirm the details of the approval of the Statement of Accounts by the Audit and Governance Committee.

Core Statements

14. The following core accounting statements are included:

Comprehensive Income and Expenditure Statement - This statement brings together all of the Council's day to day (revenue) income and expenditure as well as transactions relating to the value of long term assets and pension costs.

Balance Sheet - The Balance Sheet shows the assets that the Council owns, how much the Council owes or is owed, and the Council's net assets (sometimes referred to as net worth).

Movement in Reserves Statement - This statement shows the movement between the Council's reserves (which are split between usable and unusable) and the total adjustments needed (in respect of revaluations, capital items and notional pension costs) to the reported surplus and deficit on the Comprehensive Income and Expenditure Account, to arrive at the actual movement in the General Fund Balance.

Cash Flow Statement - This statement shows the amount of cash received and paid out during the year and the net inflow and outflow of cash and cash equivalents.

Notes to the Core Financial Statements - This section includes the accounting policies and explanatory information relating to the core statements.

15. The following supplementary statements are also included:

- HRA Income and Expenditure Account
- Statement of Movement on the HRA Balance
- Collection Fund

Glossary

16. This section of the Statement of Accounts sets out a detailed explanation of the various accounting terms that are used in the document.

Independent Auditor's Report

17. This is the external auditor's opinion on the accounts and contains their view as to whether the accounts give a true and fair view of the Council's financial position and performance for the year. The opinion will be included within the final published document which must be published by 30 September 2016.

RISK ASSESSMENT

18. There are no significant risk considerations in relation to this report.

CONCLUSION

19. Members are asked to formally approve the Statement of Accounts for 2015/16.

Background Papers: None

Reference Papers: Code of Practice on Local Authority Accounting 2015/16

Appendix A: Statement of Accounts 2015/16

Enquiries:

For further information on this report please contact Caroline Hancock. (Ext 4589)