



To: All Members and Officers of the Audit and Standards Committee.

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Dear Sir/Madam,

Audit and Standards Committee - Monday, 26th September, 2016

I have recently forwarded to you a copy of the agenda for the next meeting of the Audit and Standards Committee.

I am now able to enclose, for consideration at next Monday, 26th September, 2016 meeting of the Audit and Standards Committee, the following information that was unavailable when the agenda was printed.

- a) Training Session - Understanding the Statement of Accounts (Pages 1 - 22)

John Tradewell
Director of Strategy, Governance and Change

Enc

2015/2016 Statement of Accounts

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Audit and Standards Committee

Agenda Item 5a

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Stewardship concept

- Overriding objective of financial reporting is to demonstrate fiduciary stewardship
- But need to see the accounts in context with other arrangements. Wider objective of public stewardship – operational stewardship e.g. value for money reviews, audit reports, inspections etc.

Purpose of Report

In accordance with the Accounts and Audit Regulations 2011 (the Regulations) the Authority is required to approve the Statement of Accounts.

The Chair of Committee of a relevant body, which approves the Statement of Accounts is required to sign and date the accounts. For this authority this is the Audit and Standards Committee.

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What is the Statement of Accounts?

- Formal accounts of the Council
- What did the authority's services cost in the year of account?
- Where did the money come from?
- What were the authority's assets and liabilities at the year-end?
- Readers of the Statement of Accounts - electors, members, employees and other interested parties

Period of Account

- Year - 1 April 2015 to 31 March 2016.
- Draft accounts signed by the responsible financial officer by the end of June.
- 4 weeks public inspection (27 June to 22 July).
- Audited accounts before 30 September.
- Change in regulations for 2017/18 accounts

How are the accounts prepared?

- Range of principles and practices
- Code of Practice on Local Authority Accounting
- Prepared, signed and dated by responsible financial officer
- Presents a 'true and fair' view.
- External auditors appointed by Public Sector Audit Appointments (for this year it is Ernst and Young)

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Accounting concepts and principles

Many principles but main things to note are:

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- Materiality
- Accruals

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Sections of the accounts

- Narrative Statement – provides an overview of financial position.
- Accounting policies - rules used in preparation of accounts.
- Financial statements for County Council followed by notes.
- Group accounts – Entrust.
- Pension Fund accounts

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Comprehensive Income and Expenditure Statement

- Reports the net costs for the year of the functions for which the authority is responsible.
- Principal sources of financing (amounts to be funded from taxation) to give the net surplus/deficit for the year.
- Gross expenditure and income should include the costs of support services.

Comprehensive Income and Expenditure Statement (Cont'd)

- Net Deficit on provision of services is £47.4m
- Main reasons are:
 - A loss on disposal of our assets of £48.4m
(the vast majority of these relate to schools that have transferred their status, mostly to academies. In accordance with IFRS the building has been removed from our balance sheet with no proceeds being set against the disposal.)
 - Net downward revaluations on our assets of £10.8m
 - Capital grants and contributions recognised at £55.9m
 - Interest payable of £33.6m which includes the interest relating to all PFI schemes.

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Prior Period Adjustment

- Prior Period Adjustments are required when there has been either, a change in the accounting policies, only made through changes in accounting practices, or, where material errors have been found.
- Changes are made retrospectively by amending opening balances and comparative amounts.

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In 2015/16, a change in accounting treatment of the Waste to Energy PFI scheme has resulted in a prior period adjustment.

- The adjustment, which is due to a slightly different interpretation of the operator's third party income, is notional and has no impact on cash balances but has resulted in amended opening balances.

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Balance Sheet

Summarises the authority's financial position at the year end indicated by:

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- The value of its assets less its liabilities
- The level of balances and reserves at its disposal

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Balance Sheet

- Fixed Assets (Non Current Assets)
- Debtors/creditors
- Stocks
- Long term borrowing
- Pension Scheme liabilities
- Reserves
 - usable
 - unusable

Balance Sheet

- Assets less liabilities has increased from £296.7m to £549.1m.
- The pensions liability has decreased from £1,139.7m to £935m mainly due to changes in actuarial assumptions and return on assets; this is not cash backed.
- Property, plant and equipment increased by £16.8m (note 9).

Balance Sheet

- In total the County Council's usable reserves (earmarked, general reserves and balances) increased by £17.9 million.
- The unusable reserves (not cash-backed) increased by £234.5m which largely reflects the decrease in the pensions liability.
- General balances have decreased by £2.9m to a level of £11.9m. Funding for the overspend has come from general balances.
- The Movement in Reserves Statement shows more detail on changes to the reserves during the year.

Group Accounts

- From 1st April 2013, Entrust Support Services Limited (“Entrust”), began trading. The County Council owns 49% of the shares within Entrust and these are shown as an investment on our balance sheet.
- In accordance with the 2015/2016 Code of Practice on Local Authority Accounting, the Council accounts for its interest in Entrust as an associate company and prepares group accounts.

Group Accounts

- The aim of the Group Accounts is to give an overall picture of the activities of the authority.

Page 17 We combine the financial statements of the Council with the Council's share of the assets, liabilities, expenditure and income of Entrust in a unified set of accounts.

- There are no material differences between the accounting policies of the County Council and of Entrust.

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Pension fund

- Staffordshire County Council is the administering authority for the pension fund.
- The pension fund accounts must be included in the county council accounts.
- The cash of the pension fund is kept completely separate.
- A separate annual report for the pension fund is produced.

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Pension fund accounts

	£m	
Value 31 March 2015	3,768.7	
Value 31 March 2016	3,751.9	
Decrease	16.8	0.4%

Change in fund value £16.8m

	£m	£m
Contributions	161.2	
Pensions	<u>(164.6)</u>	
<u>Net revenue effect</u>		(3.4)
<u>Management expenses</u>		(16.7)
Investment income	56.5	
Change in market value	(53.2)	
<u>Net returns on investment</u>		<u>3.3</u>
<u>Net decrease in the fund</u>		(16.8)

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Your Questions



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