

Local Members' Interest
N/A

Audit and Standards Committee – 26 September 2016

2015/2016 Statement of Accounts

Recommendations

1. That members approve the 2015/2016 Statement of Accounts as attached to this report.
2. To approve the letters of representation from the Director of Finance and Resources.

Report of the Director of Finance and Resources

Background

3. The 2015/2016 Statement of Accounts is attached as Appendix 4 to this report and covers the County Council and Staffordshire Pension Fund. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (Code of Practice).
4. The Code of Practice is updated annually with only minor changes introduced in 2015/2016.
5. As part of normal year end processes I am required to make written representation to the auditors expressing an opinion as to whether the accounts give a true and fair view of the financial position of the Council and the Staffordshire Pension Fund in accordance with the appropriate rules and regulations. My letters are attached as Appendices 2 and 3 to this report and I would welcome discussion regarding any matters covered by the letters. The committee members are asked to approve the letters.

Interpretation and Comment on Key Financial Information

Revenue Outturn

6. We spent £484.8 million on our day to day activities after allowing for transfers to reserves. This was £1.3 million (or 0.3%) more than we budgeted for and an analysis of the spend across services is set out in the table overleaf.

The table compares the budget with the final outturn (spending) for 2015/2016

	Budget	Outturn	Over / (Under) spend
	£m	£m	£m
People			
Children in Need of Care and Support	70.6	68.6	(2.0)
Long Term Conditions and Partnership Trust	82.2	90.7	8.5
All Aged Disability	86.9	89.4	2.5
Mental Health	11.7	11.9	0.2
Education and Wellbeing	33.3	31.8	(1.5)
Safety	15.0	13.8	(1.2)
Business Improvement	9.3	8.5	(0.8)
People Total	309.0	314.7	5.7
Public Health	0.5	0.3	(0.2)
Place			
Built County	26.5	26.8	0.3
Rural County	2.5	2.4	(0.1)
Sustainable County	20.5	21.0	0.5
Transport and Connected County	27.8	27.4	(0.4)
Business and Enterprise County	3.5	3.1	(0.4)
Tourism and Cultural County	9.2	9.2	0
Economic Planning and Future Prosperity	0.5	0.5	0
Place Business Management	2.5	2.5	0
Place Total	93.0	92.9	(0.1)
Corporate / Support Services			
Finance and Resources	9.4	9.4	0
Law, Democracy and Transformation	11.0	10.3	(0.7)
Strategy and Customer Service	4.6	4.0	(0.6)
Trading Services Contribution	(0.8)	(0.8)	0
Corporate / Support Services Total	24.2	22.9	(1.3)
Total Portfolio Budgets	426.5	430.7	4.2
Centrally Controlled Items			
Interest on Balances and Debt Charges	38.8	38.8	0.0
Other*	16.2	15.2	(1.0)
Contingency	2.0	0.0	(2.0)
Centrally Controlled Total	57.0	54.0	(3.0)
Planned Net Revenue Budget / Expenditure	483.5	484.8	1.3

*Other consists of insurance costs, property repairs and maintenance costs and pooled buildings costs.

7. The People portfolio has been affected by the national issues of rising demographic pressures for adult social care, challenging market conditions and financial constraints. This situation means that we spent £5.7 million more than budget in this portfolio.
8. In 2015/16 the government introduced the Better Care Fund (BCF) which is a means of integrating health and social care. We continue to develop our work with health partners and we already receive over £16m of funding from them to deliver certain services. The BCF was marked out as the single biggest risk to the MTFS during 2015/16 as it became apparent that savings from the wider health economy would not materialise. We received £5m from the Fund but this resulted in a shortfall of £10m which was offset by savings in other areas.
9. In the Long Term Conditions service area there have been pressures relating to the contract with Staffordshire and Stoke on Trent Partnership Trust; overspends due to redundancy costs, retendering of the domiciliary care framework and reductions in contributions from health partners. There were savings achieved in relation to looked after children with increased income from adoption placements and savings on the external placements budget. The All Age Learning and Disability service has overspent due to the increased cost of care packages. The new approach to the Care Pathway has been implemented and is helping to contain future costs.
10. In overall terms the Place portfolio has broadly broken even this year. There were overspends in the Built County and Sustainable County services which were due to changes to Road Safety and winter maintenance not being implemented in time to achieve the full savings in these areas. In Sustainable County the overspend related to green waste recycling credits and changes in the WEEE regulations (Waste Electrical and Electronic Equipment). The Transport and Connected County achieved savings against the national concessionary travel budget following service reductions and the Business and Enterprise service secured additional income from farms and enterprise centres.
11. Support services underspent by £1.3m mainly as a result of not recruiting to vacant posts. The centrally controlled budgets also underspent by £1m, due to savings on energy costs arising from the mild winter and savings from rationalising the properties we occupy. The contingency fund of £2m was not spent by the end of the year.
12. Against the approved budget these amounts have resulted in the overall overspend of £1.3m.

Capital Outturn

13. In 2015/2016, we spent grants from the Government totalling £56.2 million, compared to £52.7 million in 2014/2015. We also accounted for £24.0 million of borrowing to finance our capital spend. After including all extra funding such as specific grants and contributions from developers, our final capital spend for 2015/2016 was £84.8 million, compared to £104.1 million in 2014/2015. The capital outturn position is summarised in the table below;

	£m
People	26.8
Place	53.8
Corporate / Support Services	4.2
Grand Total	84.8

14. Our achievements during the year include the following:

- Delivery of Lottery and Football Foundation schemes at both Codsall High and Wolgarston High;
- Extended work on a number of education sites including completion of Veritas Academy, commencement of works at Branston Road, relocation of Ryecroft Middle and remodelling/extension of Five Spires Academy;
- Continued work on large economic development projects including Keele's IC5 and Redhill;
- Significant progress made on Uttoxeter Waste Disposal Unit which is set to open in July 2016;
- Commencement of development of multi-agency Newcastle Hub project with works totalling over £16m in 2016/17;
- A50(A) project design has continued to be developed in conjunction with Highways England and is due to commence on site in early 2016/17;
- Superfast Broadband phase 1 nearing completion with phase 2 now being announced and is set to continue through to 2017/18.

Interpretation and comment on the main financial information

15. The Balance Sheet shows that the total of assets less liabilities is £549.1 million which is an increase of £252.4 million when compared with the 2014/2015 Balance Sheet. One of the main reasons for this increase is that the Council's share of any liabilities associated with the pension fund has reduced. The overall net liability (that is, the assets less liabilities) has been assessed by the actuary in line with accounting rules and has decreased from £1,139.7 million to £935.0 million. It should be noted that this liability is notional, it is not cash-backed and it is reviewed and amended each year by the actuary who analyses a range of variables before reaching his conclusion.
16. The Balance Sheet also includes a Prior Period Adjustment which was required by the external auditors. This adjustment relates to the Waste to Energy PFI Scheme and is very technical in nature, arising from a different interpretation of the contract which was extensively discussed. The Prior Period Adjustment means that the financial statements for previous years have been restated. This adjustment is notional and has had not had an impact on the County Council's cash balances or useable reserves.

Reserves and balances

17. There are two types of reserves, those that are cash-backed and hold money set aside for specific purposes and those which are notional and exist for accounting purposes. In total our cash-backed reserves have increased by £17.9 million. The amalgamated capital reserves (that is, money set aside for capital expenditure) have increased by £5.1 million. This represents the decisions we have made on funding our capital programme. These amalgamated reserves include capital receipts and unspent capital grants which we can use in future years.
18. Earmarked revenue reserves (excluding school reserves) have increased by £18.6 million which represents money we are repaying into reserves following decisions to utilise reserves in previous years for funding the capital programme.
19. After taking account of the outturn, the General Fund Balance total was £11.9 million as at 31 March 2016.
20. School reserves have decreased by £2.9 million to £42.3 million, reflecting the impact of academy conversions and schools using their reserves for specific projects.

Group Accounts

21. The aim of the Group Accounts is to give an overall picture of the activities of the authority. The statements present financial information about the parent (the Council) and then additionally reflect the Council's share of assets, liabilities, expenditure and income in a unified set of accounts. In accordance with the 2015/2016 Code of Practice on Local Authority Accounting, the Council should account for an interest in Entrust Support Services Ltd (Entrust) as a joint venture and prepare group accounts.

Pension fund

22. In 2015/2016 the Pension Fund's market value remained fairly static; impacted substantially by volatility in global equity markets which was driven by continuing concerns over global economic uncertainty. Whilst the performance of equities was variable across markets, the fund's holdings in private equity and property made positive returns. The fund is now valued at £3,751.9 million.

Format of the Statement of Accounts

23. We have to produce the accounts in line with a range of regulations and reporting standards, but it is important that most people can understand them. In this report I have tried to explain what I believe are the main issues in a way that I hope is understandable. Although I have kept to the relevant regulations and reporting standards, I am always looking for ways to improve the content and format of the Statement of Accounts. To help me do this, I would appreciate your comments on how we could improve the accounts and other information in future.

24. We can also provide this Statement of Accounts in other formats, such as in large print, in Braille, or in other languages. To ask us for the Statement of Accounts in other formats, please call 01785 278157.
25. The full statement and the summary version will also be available on our website (www.staffordshire.gov.uk).

Andrew Burns
Director of Finance and Resources

Equalities Implications

1. This report has been compiled in accordance with the County Council's Policy on Equal Opportunities.

Legal Implications

2. The County Council is required to approve a draft Statement of Accounts in accordance with the requirements of the Accounts and Audit Regulations.

Resource and Value for Money Implications

3. There are no direct resource implications arising from this report.

Risk Implications

4. There are no direct risk implications arising from this report.

Climate Change Implications

5. There are no direct climate change implications arising from this report.

Health Impact Assessment and Community Impact Assessment screening

6. Not required for this report.

Report author:

Author: Rachel Spain
Tel No (01785) 854455
Room No 2nd Floor, Staffordshire Place 2

List of Background Papers:

Accounts and Audit Regulations 2011
Code of Practice on Local Authority Accounting in the United Kingdom 2015/16