

Audit & Standards Committee

6 September 2017

Statement of Accounts 2016/17

Recommendation

The Committee is asked to consider the 2016/17 Statement of Accounts and recommend them to Council for approval.

1. Purpose of the Report

- 1.1. This report presents the Statement of Accounts for 2016/17.
- 1.2. The Statement of Accounts for Warwickshire County Council comprises of:
 - The statement of responsibilities for the accounts
 - A narrative statement by the Head of Finance
 - The core financial statements, comprising:
 - The movement in reserves statement
 - The comprehensive income and expenditure statement
 - The balance sheet as at 31 March 2017
 - The cash flow statement
 - The statement of accounting policies
 - The notes to the core financial statements
 - The Fire-fighters Pension Fund Statement
- 1.3. A recommendation to Council of the Annual Governance Statement, which will form part of the County Council's 2016/17 Statement of Accounts when they are published, is sought as a separate report on today's agenda. The Warwickshire Pension Fund is a separate body and, as such, has its own statement of accounts. A report seeking a recommendation in respect of the 2016/17 Warwickshire Pension Fund Statement of Accounts is also elsewhere on today's agenda.
- 1.4. Elected members are not expected to be financial experts, but they are responsible for approving and issuing the Council's financial statements. In doing this they are playing a key role in ensuring accountability and value for money are demonstrated to the public. However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International

Financial Reporting Standards (IFRS) and also the accounting and financing regulations of central government.

- 1.5. This covering report explains the key features of the primary statements and notes that make up the 2016/17 Statement of Accounts. The narrative statement provides further information on the key issues for the benefit of readers of the statements.
- 1.6. The Committee is asked to consider the 2016/17 Statement of Accounts attached at **Appendix A** and recommend them to Council for approval, highlighting any issues that they wish to bring to Council's attention. Following their approval by Council the Statement of Accounts will be published, in accordance with regulations, by the end of September.

2. Narrative Statement

- 2.1. The purpose of the narrative statement is to provide commentary on the financial statements. It includes an explanation of key events and their effect on the financial statements. The information in the narrative statement is consistent with budget information provided during the year and reconciles to the year-end financial position reported to Cabinet on 13 July 2017.

3. Core Financial Statements

3.1. Movement in reserves statement

Reserves represent the Council's net worth and shows its spending power. Reserves are analysed into two categories: usable and unusable. The level of usable reserves, the Council's spending plans and other sources of funding determine how much council tax needs to be raised. Unusable reserves derive from technical accounting adjustments and cannot be used to support spending. The movement in reserves statement analyses the changes in each of the authority's reserves between 2015/16 and 2016/17.

3.2. Comprehensive income and expenditure statement

The comprehensive income and expenditure statement reports on how the authority performed during the year and whether its operations resulted in a surplus or deficit. It is produced in a standard format and is made up of five broad sections:

- Cost of services: Presented in the management structure of the Council. It includes service specific income and expenditure.
- Other operating income and expenditure: Includes the surplus or deficit from the sale of property, plant and equipment.
- Financing and investment income and expenditure: Includes interest payable and receivable and trading account income and expenditure.
- Taxation and general grant income and expenditure: Includes revenue from council tax, business rates and government revenue and capital grants.

- Other comprehensive income and expenditure: Is a catch-all for items which are not allowed to be accounted for elsewhere, such as increases in the value of land and buildings and changes in the actuarial assessment of pensions assets/liabilities.

3.3. Balance Sheet

The balance sheet is a 'snapshot' of the authority's financial position at a point in time, showing what it owns and owes at 31 March 2017. It is divided into two halves that, as the name suggests, balance. These are assets less liabilities (the top half) and reserves (the bottom half).

3.4. Cash flow statement

The cash flow statement sets out our cash receipts and payments during the year, analysing them into operating, investing and financing activities. Cash-flows are related to income and expenditure but are not equivalent to them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the comprehensive income and expenditure statement when the transactions occurred, not when the cash was paid or received.

4. Accounting Policies and Notes to the Core Financial Statements

4.1. The accounting policies set out the accounting rules the authority has followed in compiling the financial statements. They are largely specified by International Financial Reporting Standards and the Local Authority Accounting Code of Practice. We have limited discretion to amend them. There are no changes of accounting policy reflected in the Statement of Accounts this year.

4.2. The notes to the financial statements are generally the least read part of any set of accounts. This is because they appear complicated and include a lot of technical terms. However, the additional disclosures include important information and provide the context for the figures in the core financial statements.

5. Fire-fighters Pension Fund Statement

5.1. It is unusual for an unfunded pension scheme (such as the fire-fighters scheme) to have a fund as it holds no assets that need to be ringfenced. We collect in the Fund contributions receivable from Warwickshire County Council (as the employer) and firefighters (employee) contributions and pay out any benefits due. The Fund is then balanced to nil at the end of each financial year by either paying over or receiving pension fund top-up grant from the government.

6. Audit Status

- 6.1. The attached 2016/17 Statement of Accounts has been audited and the Audit Findings Report from the external auditors, Grant Thornton is elsewhere on today's agenda.
- 6.2. The audit opinion is also included in that auditors report and will be signed by Grant Thornton's Engagement Partner on receipt of our letter of representation signed by the Head of Finance following approval of the accounts at Council on 1 September 2017. A letter of representation is provided in connection with the audit of the 2016/17 financial statements for the purpose of expressing our opinion to the best of our knowledge and belief, having made appropriate enquiries, that the financial statements give a true and fair view.
- 6.3. The approved accounts will be published alongside the authority's Annual Governance Statement (elsewhere on the Agenda) together with the signed audit opinion by 30 September 2017 in line with statutory regulations.

7. Background Papers

- 7.1. None.

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The following Elected Members have been consulted on this report prior to its publication:

None