

<b>Subject:</b>	DRAFT Annual Governance Statement and Statement of Accounts 2015/16	<b>Status:</b>	For Publication
<b>Report to:</b>	Audit & Accounts Committee	<b>Date:</b>	3 <sup>rd</sup> October 2018
<b>Report of:</b>	Finance Manager	<b>Portfolio Holder:</b>	Resources
<b>Key Decision:</b>	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required:	Yes/No	Attached: Yes/No
<b>Biodiversity Impact Assessment</b>	Required:	Yes/No	Attached: Yes/No
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1.	<b>RECOMMENDATION(S)</b>
1.1	That Members note the contents of this report, and the changes made to the Draft Annual Governance Statement and the Statement of Accounts since the original drafts were submitted in June 2016.
1.2	Members approve the attached Draft Annual Governance Statement and Statement of Accounts 2015/16, subject to any minor changes, in line with the Audit Findings Report and the Audit Opinion, which are yet to be received.
1.3	That Members delegate final approval of the 2015/16 Accounts to the Head of Finance in consultation with the Chair of the Audit & Accounts Committee.

## 2. PURPOSE OF REPORT

- 2.1 The purpose of the report is to update Members on the changes made to the Accounts for 2015/16 during the audit process.
- 2.2 Members approve the attached Annual Governance Statement and Statement of Accounts 2015/16 subject to the Audit Findings Report and the Audit Opinion which are yet to be received.

## 3. CORPORATE PRIORITIES

- 3.1 The matters discussed in this report impact directly on the following corporate priorities:
- **A clean and green Rossendale:** our priority is to keep Rossendale clean and green for all of Rossendale's residents and visitors, and to take available opportunities to recycle and use energy from renewable sources more efficiently.
  - **A connected and successful Rossendale that welcomes sustainable growth:** our priority is to ensure that we are well connected to our residents, key partners and stakeholders. We want to make the most of every pound we spend and we are always looking for new and innovative ways to make the resources we do have, work harder for us.
  - **A proud, healthy and vibrant Rossendale:** our priority is to ensure that we are creating and maintaining a healthy and vibrant place for people to live and visit.

## 4. RISK ASSESSMENT IMPLICATIONS

- 4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:
- *Operational Governance and Risks:* the Annual Governance Statement: Year ended 31<sup>st</sup> March 2016 details the significant risks faced by the Council and the measures in place to mitigate, manage and monitor those risks.

- *Level of General Fund Reserves:* The Council must set a level of General Fund reserves based on an assessment of the potential risks to which the Council is exposed. Through its Medium Term Financial Strategy the Council has acknowledged the level of risks in the general economic environment through a suggested minimum level of General Fund balances of £1m. The Balance Sheet in the Statement of Accounts at Appendix 1 shows the General Fund Balance at the 31<sup>st</sup> March 2016 remains at £1m.
- *Contingent Assets and Liabilities:* An assurance will be submitted verbally to the Members at the Committee to confirm the current position with regards to Contingent Assets and Liabilities.

## **5. BACKGROUND AND OPTIONS**

### **5.1 2015/16 Accounts and the audit process since June 2016**

The original draft Annual Governance Statement and Statement of Accounts for 2015/16 were brought to this Audit & Accounts Committee in June 2016 and then submitted for public scrutiny and external audit.

During the audit process for 2014/15 Accounts the operation of the East Lancs Empty Homes Scheme, and the accounting treatment of the Homes and Communities Agency (HCA) Grant for the Scheme, had been questioned and the audit was still in progress. This has now been resolved.

The draft 2015/16 Accounts were prepared with the best knowledge at the time, including draft restatements of the 2013/14 and 2014/15 figures, treating the HCA Grant as a capital grant received in advance rather than a government grant unapplied. In plain English terms, the difference between the two treatments lies in whether the conditions of the grant received have been met or not. The Grants Unapplied account is held within the Usable Reserves and should be used for grants where conditions have been met, even though some funds may not have been applied yet. In contrast, the HCA Grant is now being treated as a short-term creditor until the conditions of grant on each property have been met. Therefore, grant is only taken to the Comprehensive Income and Expenditure Statement (CIES) when each individual property has been brought back into use, as per the grant conditions.

### **5.2 Current Draft 2015/16 Accounts and Annual Governance Report**

The Draft Accounts for 2015/16 at Appendix 1 represent the most current understanding of the position at the time of going to press. Officers are still awaiting the Audit Opinion and Audit Finding Report, which are still being discussed with the External Audit technical team.

Council officers are confident that the draft being presented here will be the final version in terms of numbers, subject to any minor textural changes arising from discussions with the external auditors in the coming days.

### **5.3 East Lancs Empty Homes Scheme**

As reported in the earlier 2014/15 Accounts, the Council instigated a full internal review of the scheme and its operations during 2015 and the findings were submitted to Members in December 2015.

#### **5.3.1 East Lancs Empty Homes Scheme - the HCA Grant**

During the preparation of the Draft 2015/16 Accounts officers were still in ongoing discussions with the external auditors regarding the 2014/15 Accounts, most specifically how the HCA Grant was treated. The Draft 2015/16 Accounts were prepared using the proposed new treatment of holding the HCA Grant in the Short-term Capital Grant Receipts in Advance Account (Note 34) and only feeding grant into the CIES when it is earned through the

completion of renovation works and the tenancy of each homes as it meets the decent homes standards (see paragraph 5.1.above). The amount of grant received in each financial year and that recognised in the CIES is shown clearly in Note 34.

Consequently, the Short-term Capital Grant Receipts in Advance Account (Note 34) has not changed since the Draft Accounts were submitted in June 2016.

### 5.3.2 **East Lancs Empty Homes Scheme - and the Annual Governance Statement**

The Internal Audit report to Council in December 2015 detailed the lessons learned from the failures of the scheme and the actions being taken to remedy those failures and prevent future similar incidents. The lessons learned have also informed the revised Annual Governance Statement within these audited 2014/15 Accounts, including the improvement of risk management across the organisation as shown on page 17.

### 5.3.3 **East Lancs Empty Homes Scheme - post Balance Sheet Events**

In accordance with International Financial Reporting Standards, these Accounts have been prepared based upon knowledge right up to the date that they are signed off. Therefore, the cost of renovation works to the empty properties has been included at the end of March 2015 as a Provision for liabilities existing at the 31<sup>st</sup> March 2015, rather than costs originating in 2015/16 and beyond.

Initially officers made a provision for £1,164k of renovation costs in the 2015/16 draft accounts, in line with the works tenders and the contracts let in late March 2016. However, given that these costs related to conditions existing at the end of March 2015, creation of the Provision has now been moved back to the 2014/15 Accounts and increased to £1,851k - see Note 33.

In order to fund this Provision, £2m of Earmarked Reserves were re-assigned into the Empty Homes Strategy Reserve in the audited 2014/15 Accounts and £1,851k of that Reserve was applied to create the Provision.

Members should note that this is the only adjustment to the 2015/16 Accounts which has impacted upon the Council's Balance Sheet

- Provisions have increased by £686k and
- Earmarked Reserves have dropped by £686k.

### 5.3.4 **East Lancs Empty Homes Scheme - comparator Accounts for 2014/15**

All the changes to the 2014/15 Accounts arising from the Empty Homes Scheme above have also now been reflected in the prior-year comparative figures.

## 5.4 **Other changes arising from the audit**

There were some other amendments arising from the audit which were not related to the Empty Homes Scheme

- Adjustments have been made to the Fixed Assets area of the Balance Sheet, affecting Notes 17 and 15. Though the Balance Sheet at the 31<sup>st</sup> March 2016 remains the same, the treatment of £248k (net) of impairment and revaluations have been amended by the auditors.
- The above changes have been reflected in the Cash Flow Statement, but these did not change the Cash & Cash Equivalents at the end of March 2016, which was still £3,304k.
- The Group Accounts have been updated following the audit amendments to the Council's accounts noted above, and the audit adjustments in the approved accounts

for Rossendale Transport Ltd.

**COMMENTS FROM STATUTORY OFFICERS:**

**6. SECTION 151 OFFICER**

6.1 Financial matters are noted in the report attached.

**7. MONITORING OFFICER**

7.1 Unless specifically commented upon within the report, there are no specific implications for consideration.

**8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT**

8.1 Unless specifically commented upon within the report, there are no implications for consideration. Staffing issues have been discussed with colleagues in the People & Policy section.

**9. CONCLUSION**

9.1 Members should note the changes made during the audit and the impact that these have of the Accounts for 2015/16.

9.2 Members are now in a position to approve the attached Draft Statement of Accounts for 2015/16 and the Annual Governance Statement on pages 10 to 15, subject to any minor changes, in line with the Audit Findings Report and the Audit Opinion, which are yet to be received.

9.3 Members are requested to delegate final approval of the 2015/16 Accounts to the Head of Finance in consultation with the Chair of the Audit & Accounts Committee.

**Background Papers**

Document	Place of Inspection
Draft Statement of Accounts 2015/16.	Audit & Accounts Committee 28 <sup>th</sup> June 2016 <a href="https://www.rossendale.gov.uk/download/meetings/id/8401/item_d8_annual_governance_statement_and_statement_of_accounts_201516_draft">https://www.rossendale.gov.uk/download/meetings/id/8401/item_d8_annual_governance_statement_and_statement_of_accounts_201516_draft</a>