

Subject:	Annual Governance Statement and Statement of Accounts 2016/17	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	5 th March 2019
Report of:	Finance Manager	Portfolio Holder:	Portfolio Holder for Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	Yes/No	Attached: Yes/No
Biodiversity Impact Assessment	Required:	Yes/No	Attached: Yes/No
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1.	RECOMMENDATIONS
1.1	That Members note the contents of this report, and the changes made to the Annual Governance Statement and the Statement of Accounts 2016/17 (Appendix 1) since the drafts were submitted in June 2017.
1.2	Members consider the Letter of Representation regarding the 2016/17 Accounts (Appendix 2).
1.3	Members approve the attached Annual Governance Statement and Statement of Accounts 2016/17 (see Appendix 1) delegating any minor subsequent amendments to the Head of Finance and the Chair of the Audit Committee ahead of final sign off and release for issue.
1.4	Members approve the Letter of Representation regarding the 2016/17 (Appendix 2).

2. PURPOSE OF REPORT

- 2.1 The purpose of the report is to update Members on the changes made to the Accounts for 2016/17 during the audit process.
- 2.2 Members consider the Letters of Representation for 2016/17 Accounts (Appendix 2)
- 2.3 Members approve the attached Annual Governance Statement and Statement of Accounts 2016/17 delegating any minor subsequent amendments to the Head of Finance and the Chair of the Audit Committee ahead of final sign off and release for issue.
- 2.4 Members approve the Letters of Representation regarding the 2016/17 (Appendix 2)

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 31st March 2017 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 31st March 2017 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 Statement of Accounts 2016/17 (Appendix 1) and the audit process since June 2017

The original draft Annual Governance Statement and Statement of Accounts for 2016/17 were brought to this Audit & Accounts Committee in June 2017 and then submitted for public scrutiny and external audit. During the audit process the operation of the East Lancs Empty Homes Scheme, and the accounting treatment of the Homes and Communities Agency (HCA) Grant for the Scheme, from the 2014/15 Accounts were still ongoing.

Following the submission of the draft 2014/15 Audited Accounts to this committee in October 2018 and the subsequent submission of the draft 2015/16 Accounts in December 2018, these 2016/17 Accounts have been updated with all changes arising from those audits.

The final 2014/15 Accounts have now been signed off, and it is hoped that the final 2015/16 will be signed off before the end of March 2019.

5.2 Revenue Performance in 2016/17

The Narrative Report on page 9 includes an overview of the Revenue performance during the year, including:-

- The commencement of the Lancashire Business Rates Pool on 1st April 2016
- Investment of over £1m in the Rossendale Transport Ltd mortgage
- Buy-out of the £1m balance on the 2009 investment for Rossendale Leisure Trust
- Application of £789k from Earmarked Reserves to remove the prior rear retained loss for Rossendale Leisure Trust
- Continuance of the East Lancs Empty Homes Scheme

Capital progress included

- the Bacup Townscape Heritage Initiative
- final approval for the Spinning Point Phase 1

5.3 Restatement of Prior Year Accounts

The cumulative impact of changes made to the 2014/15 and 2015/16 Accounts during their recent audit have now been reflected in the comparator year figures in the 2016/17Accounts.

5.4 Other changes arising from the audit

There were some other amendments arising from the audit which were not related to prior years.

- The Comprehensive Income and Expenditure Statement on page 18 has been amended to include an asset impairment of £1,113k relating to the Haslingden Sports Centre building to avoid duplication at the take-on of the Rossendale Leisure Trust investment. This is a technical accounting treatment and has been removed at the Movement in Reserves Statement, therefore it has had no impact on the Council's assets on the Balance Sheet. Notes 1 and 2 to the Core Statements on pages 22-24 have also been amended to reflect this change, as has the Asset Note 14a on page 32.
- Note 8 on page 27 - Members Allowances has been amended to correct some typo errors. There has been change to the total cost of member allowances in the year.
- Note 9 on page 27 - Senior Officers' Remuneration has been amended to clarify the role of the Acting Director of Business.
- Long Term Investments Note 19 on page 38 and the Group Accounts from page 78 onwards - the audited 2016/17 accounts for Rossendale Transport Ltd have been used to update the figures throughout, including the Group element of the Cash Flow Note on page 58.
- In the Fair value of Assets and Liabilities table on page 42 the March 2017 borrowings have been amended to negative figures. This is a typing error, there is no change to the main Core Statements or the Council's net borrowing position.
- In the Provisions Note 30 on page 47 Other Provisions have been moved to Short Term Provisions. This now matches the Balance Sheet split. The total Provisions have not changed.
- In the Capital Grants Unapplied Account Note 32c on page 50 the activity in the year on the Transforming Lives and Hoarding Grants has been correctly split between grant received and grant applied. The balance at the year-end has not changed.
- The original Comprehensive Income and Expenditure Account for the Pension Fund at Note 34f had a typo in the Net Cost of Services at £80,607, which had been replicated throughout the table. This has been corrected to £848k and the figures at the bottom of the table now match those in Note 13 to the Movement in Reserves on page 30.
- In the Accounting Policies at Note 37 on page 59 all references to the Services Reporting code of Practice for Local Authorities 2016/17 (SERCOP) have been removed. SERCOP no longer impacts upon the presentation of these accounts. Members may notice that the Comprehensive Income and Expenditure Statement on page 18 now presents the Cost of Services in the same format as the Council's management accounts. This is the main impact of the removal of SERCOP requirements. Notes 1 and 2 on page 22-24 have also replaced the requirement for segmental reporting as a result of this change.
- Fair Value Measurement on page 69 has been inserted to explain the accounting policy on how the Council measures its non-financial assets. This has not changed any figures in the Accounts as the original draft was already prepared on this basis.
- Note 40 on page 72, Events after the Balance Sheet, date has been updated to explain any material events since 31st March 2017. These include:-
 - the sale of the Council's shares in Rossendale Transport Ltd in January 2018
 - the annual review of the Net Pension Fund Liabilities in the subsequent 2017/18

Accounts

- progress on the Spinning Point Phase 1 project and its effect on the value of “Assets Under Construction”
- In the Collection Fund Note 2 on page 74 the presentation has been amended to provide a clear split between the Surplus/(Deficit) estimated in January each year as part of the budget setting processes, and the out-turn position. The estimated figures are used by the preceptors to determine their share of the Collection Fund surpluses/(deficits) which are then taken in instalments throughout the following financial year. Any change between the estimated figures and the out-turn is not taken until the following financial year.
- In the Collection Fund Note 6 on arrears there was an error in the original draft Accounts stemming from a correction to the treatment of outstanding court cost charges. Court Costs have always been removed from the Council Tax and Business Rates resources and included within Sundry Debts instead. However, as this income stream is wholly attributable to Rossendale Borough Council the balance of outstanding debts should also be wholly attributable to Rossendale Borough Council. Officers had amended the values on the face of the original draft Accounts, but omitted to change this Note. A new paragraph on page 77 attempts to explain this change and gives the values for court cost debts and the provision for doubtful debts.
- Group Accounts - There has been one error correction in the Group Balance Sheet, where the value of buses within the Rossendale Transport Accounts had been included under Community Assets. This has now been corrected to Vehicles, Plant, Furniture and Equipment. All other changes have stemmed either from the changes to the Single Entity Accounts, as noted above, or from the audited 2016/17 accounts for Rossendale Transport Ltd which have now been used to update the figures throughout, including the Group element of the Cash Flow Note on page 58.
- Group Pensions Fund Notes, on pages 85 to 87, now reflect that the Pension Fund for the Limited Company was transferred to Rossendale Borough Council at the beginning of 2016/17 and a paragraph has been inserted on 85 to explain this.

5.5 Letter of Representation - 2016/17 Accounts

This letter, from the Chair of this Committee and the Head of Finance, is to provide the External Auditor with the required assurances as to the completeness of the 2016/17 financial statements, the working papers and the disclosures made to the auditor. Members are asked to consider the contents of this letter and then approve its signature and submission to the Auditor.

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 2016/17.
- 9.2 Members consider the Letter of Representation regarding the 2016/17 Accounts (Appendix 2).
- 9.3 Members are now in a position to approve the Statement of Accounts for 2016/17 and the Annual Governance Statement on pages 12 to 17 attached at Appendix 1, delegating any minor subsequent amendments to the Head of Finance and the Chair of the Audit Committee ahead of final sign off and release for issue.
- 9.4 Members approve the Letter of Representation regarding the 2016/17 (Appendix 2) for issue to the external auditors.

Background Papers

Document	Place of Inspection
Draft Statement of Accounts 2015/16.	Audit & Accounts Committee 30 th June 2016 https://www.rossendale.gov.uk/download/meetings/id/7929/item_d5_appendix_1