

**North Tyneside Council
Report to Council
Date: 22 September 2016**

ITEM 6
2015/16 Annual Financial Report

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| Portfolio(s): Elected Mayor Finance and Resources | Cabinet Member(s): Norma Redfearn Councillor Ray Glendon |
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Report from Service Area: Finance

Responsible Officer: Janice Gillespie, Head of Finance Tel 6435701

Wards affected: All

PART 1

1.1 Executive Summary:

The purpose of this report is to seek full Council's approval of the 2015/16 Audited Annual Financial Report in accordance with Section 9 (2) of the Accounts and Audit Regulations 2015.

1.2 Recommendation(s):

Council is recommended to:

- (a) approve the Audit Completion Report, submitted by the Authority's external auditors Mazars, and agree the draft Letter of Management Representation; and,
- (b) approve the 2015/16 Audited Annual Financial Report.

1.3 Forward plan:

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 13 June 2016.

1.4 Council plan and policy framework:

This report covers the financial aspects of all service responsibilities as identified within the 2014/18 Our North Tyneside Plan and the Authority's policy frameworks.

1.5 Information:

1.5.1 Background

It is a requirement of Section 9 (2) of the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code that the Authority approves its audited Annual Financial Report for the financial year and, for 2015/16, it must then publish these accounts by 30 September.

1.5.2 The audit of the 2015/16 accounts has recently been concluded and an unqualified audit opinion is expected to be issued. The Audit Completion Report, produced by Mazars, in respect of the 2015/16 Annual Financial Report was presented to the Audit Committee on 21 September 2016. No material errors have been identified in the financial statements. A small number of non trivial errors were identified as part of the audit but have been deemed as not material. They would have had no impact on the Authority's underlying financial position and as such have not been amended. A number of disclosure errors identified during the audit have been corrected and are reflected in the Annual Financial Report. A number of Internal Control issues have been raised and discussed with Mazars. Actions have been agreed to respond to those issues raised. A copy of the Audit Completion Report is attached as Appendix B.

1.5.3 The audited 2015/16 Annual Financial Report is attached for consideration and approval as Appendix A to this report. The Statement follows a statutory format as set out in the CIPFA Code and CIPFA Service Reporting Code of Practice (SERCoP).

Annual Financial Report

1.5.4 The main elements of the Annual Financial Report are:

- (a) Narrative Report by the Chief Finance Officer;
- (b) The statutory accounts themselves, namely;
 - Statement of Responsibilities;
 - Comprehensive Income and Expenditure Statement;
 - Movement in Reserves Statement;
 - Balance Sheet;
 - Cash Flow Statement;
 - Housing Revenue Account;
 - Collection Fund Statement.
 - Statement of Accounting Policies adopted when compiling the accounts; and,
- (c) The Annual Governance Statement.

- 1.5.5 Each account above is supported by a comprehensive set of supporting and explanatory notes.

Summary

- 1.5.6 The Authority's Annual Financial Report (the Accounts) is prepared in accordance with statute and accounting Codes of Practice. The Accounts record the Authority's financial position as at 31 March 2016 by way of a series of formal statements such as the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement. For the most part these statements do not reflect the Authority's internal management and monitoring arrangements and for this reason a Finance Outturn report for 2015/16 was presented to Cabinet on 13 June 2016. That report follows the format of the budget monitoring reports presented to Cabinet through the year and can be read in conjunction with the Annual Financial Report to gain a full picture of the Authority's financial management in the year. Note 4 (pages 51 to 54) of the Accounts provides a reconciliation between the statutory accounts and the Finance Outturn report. A copy of the Finance Outturn report can be accessed via the Authority's website or the intranet.
- 1.5.7 As noted in the Outturn report, the Authority had to manage a number of financial pressures in the year over and above the approved budget including reductions in funding. The final position being overall the Authority recorded an underspend of £1.573m against the budget for the General Fund and the Authority's General Fund Balance remains unchanged at £6.604m. The Housing Revenue Account (HRA) balance as at 31 March 2016 was £4.388m, and Schools Balances were £6.983m. The Council incurred expenditure of £98.271m in the year on its Investment Plan (£39.608m General Fund and £58.663m HRA).

The Statement of Accounts

- 1.5.8 A summary of the main features of the 2015/16 statutory accounts follows:
- 1.5.9 The **Comprehensive Income and Expenditure Statement** (page 17) records revenue transactions (for both the General Fund and the Housing Revenue Account) through the Authority's books for the financial year. As its name indicates this account includes the income and expenditure for each service as set out in the SERCoP, along with expenditure on precepts and levies, interest paid, investment income, gains and losses on disposal of fixed assets and the costs associated with pensions. It also includes general income from Government Grants, Council Tax and Business Rates.
- 1.5.10 For 2015/16, the result of these transactions is a net surplus on the Comprehensive Income and Expenditure Statement of £24.154m (£43.018m 2014/15). This surplus (and the previous year's surplus) represents accounting convention and it does not impact on the Authority's balances at the year-end. For that reason, the Comprehensive Income and Expenditure Statement needs to be read in conjunction with the **Movement in Reserves Statement** (page 18), which makes a series of further accounting adjustments to arrive at the actual movement in balances in the year.

- 1.5.11 The Movement in Reserves Statement shows that after these adjustments the General Fund balances have fallen by £0.654m in respect of the school balances. The General Fund balance remains at £6.604m whilst the school balances have fallen to £6.983m. The HRA balance increased by £0.656m (to £4.388m) reflecting the reported under spend.
- 1.5.12 The **Balance Sheet** is set out on page 20. As the revenue accounts are closed down for the year, the General Fund and HRA balances, along with the capital transactions from the Authority's Investment Plan are transferred to the Authority's Balance Sheet. This represents the final position of the Authority at the end of the financial year, showing the assets that the Authority owns (such as land and buildings), the amounts it is owed (debtors etc) and what it owes to outside bodies and individuals (loans outstanding, creditors etc).
- 1.5.13 The **Cash Flow Statement** (page 21) shows the movement in cash and cash equivalents during the year.
- 1.5.14 The **Housing Revenue Account** (page 114) sets out the transactions that are ring-fenced for Council Housing.
- 1.5.15 The **Collection Fund Statement** (page 124) accounts independently for income relating to Council Tax and Business Rates on behalf of those bodies (including the Authority's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund. Collection Fund balances relating to North Tyneside Council are consolidated into the Authority's Balance Sheet with the surplus/deficit relating to the Authority shown in the Collection Fund Adjustment Account.

Annual Governance Statement

- 1.5.16 The Annual Governance Statement is a statutory document which is signed by the Elected Mayor, the Chair of the Council, the Chair of the Audit Committee, and the most senior officer of the Authority (the Chief Executive). The purpose of the document is to demonstrate to all stakeholders that the Authority has controls in place to ensure that its business is conducted in accordance with law and proper standards and that public money is safeguarded, correctly accounted for and is used economically, efficiently and effectively. Although the financial management of the Authority is an essential part of the internal control framework, the Statement is not purely concerned with financial issues but also covers the Authority's constitution, corporate governance arrangements, facilitation of policy and decision making.
- 1.5.17 In addition to full Council approving the Annual Governance Statement, a review of the Statement was undertaken by the Audit Committee on 25 May 2016 and an in-year update on the action taken during the year will be given to the Committee during 2016/17.
- 1.5.18 There have been no issues raised during the period of the external audit that require any change to the Annual Governance Statement for 2015/16.

1.6 Decision options:

It is a statutory requirement that the audited Annual Financial Report is approved by 30 September 2016.

1.7 Reasons for recommended option:

The Authority is required under the Accounts and Audit Regulations 2015 to approve its audited Annual Financial Report by 30 September 2016.

1.8 Appendices:

Appendix A: Annual Financial Report for 2015/16

Appendix B: Audit Completion Report for 2015/16

1.9 Contact officers:

Janice Gillespie, Head of Finance, Tel 643 5701

Cathy Davison, Principal Accountant, Tel 643 5727

1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author:

- (a) [Revenue Budget 2015/16 \(P\)](#)
- (b) [Approved Investment Plan 2015-19 \(P\)](#)
- (c) CIPFA Code of Practice 2015/16 (P)
Can be inspected at the Authority's offices.
- (d) CIPFA Service Reporting Code of Practice 2015/16 (P)
Can be inspected at the Authority's offices.
- (e) [Outturn Report 2015-16 \(P\)](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

As this is a financial report, implications are covered in the body of the report itself and the 2015/16 Annual Financial Report attached as Appendix A to this report.

2.2 Legal

The Authority is required under the Accounts and Audit Regulations 2015 and the Chartered Institute of Public Finance and Accountancy's Code to prepare and approve its accounts for the financial year 2015/16 by 30 September 2016.

2.3 Consultation/community engagement

In line with statutory requirements the draft Annual Financial report for the year ended 31 March 2016 was published by 30 June 2016 and was available on the Authority's website.

Internal consultation on this report and the Annual Financial Report has taken place with the Cabinet Member for Finance and Resources, the Chief Executive and his Senior Leadership Team. Members briefing sessions were provided on 5 and 6 July 2016.

Members of the public were able to inspect the accounts under the statutory public inspection of accounts period from 1 July to 11 August 2016.

The Annual Financial Report records the financial position of the Authority for the year ended 31 March 2016. This sets out the financial transactions that have been undertaken under the Authority's 2015/16 budgets (both revenue and capital). The 2015/16 budget was completed after widespread consultation in line with the Council's approved Budget Engagement Strategy. The report to Council on 5 February 2015 entitled "2015-2018 Financial Planning and Budget Process report" summarises the outcome of this engagement (see Annex 1 of the report).

2.4 Human rights

The proposals within this report do not have direct implications in respect of the Human Rights Act 1998.

2.5 Equalities and diversity

There are direct no equalities and diversity implications arising from this report.

2.6 Risk management

Potential future financial pressures against the Authority are covered in this report and registered through the Authority's risk management process.

2.7 Crime and disorder

There are no direct crime and disorder implications arising from this report.

2.8 Environment and sustainability

There are no direct environmental and sustainability implications arising from this report.

PART 3 - SIGN OFF

- Deputy Chief Executive
- Head of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy