

## **Chichester District Council**

### **CORPORATE GOVERNANCE AND AUDIT COMMITTEE 28 September 2017**

#### **Statement of Accounts for 2016-17**

## **1. Contact(s)**

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## **2. Recommendation**

- 2.1. That the Committee consider and approve the audited Statement of Accounts shown in Appendix 1 for the financial year ended 31 March 2017, note the outturn position and authorise the Letter of Representation to be given to the Council's External Auditor.**

## **3. Main Report**

### **3.1. Introduction**

- 3.1.1 The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the Council's annual Statement of Accounts. The Council's approved Statement of Accounts must be published by no later than 30 September.
- 3.1.2 Council has delegated the approval of the Council's Statement of Accounts to the Corporate Governance and Audit Committee. The Head of Finance and Governance Services, as the Council's responsible financial officer, authorised the draft Statement of Accounts for issue on 30 June 2017. The draft statements have subsequently been subject to audit by the Council's external auditors, Ernst & Young LLP and were subject to public inspection during July and August.
- 3.1.3 The Council has not received any questions or objections to its accounts from the public.
- 3.1.4 Ernst & Young LLP expect to complete their audit by the date of the Committee and will report separately on their findings at this meeting. Based on discussions to the date at the time of writing this report, officers expect the external auditors will issue their unqualified opinion on the Statement of

Accounts and the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

### 3.2. The Statement of Accounts

- 3.2.1 Local authority accounts are complex due to the need to produce financial statements that address both an accounting framework and a legislative framework. This dual accounting approach requires some items to be accounted for in ways that do not reflect how the Council manages its budget.
- 3.2.2 The format of the Statement of Accounts has been revised following the outcome of the Chartered Institute of Public Finance & Accountancy's (CIPFA) 'Telling the Story' review, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.
- 3.2.3 The main change allows local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement. It also introduced a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded, budget and the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis is supported by a streamlined Movement in Reserves Statement.
- 3.2.4 Further interpretation of the accounts highlighting the key issues is contained within the narrative report section of the Statement of Accounts.

### 3.3. Analysis of the 2016-17 General Fund position

- 3.3.1 The audited outturn position on the General Fund for 2016-17 is a surplus of £295,652 that is transferred to the General Fund Balance.
- 3.3.2 The main variances between the General Fund original budget and the outturn position in 2016-17 are as follows:

Ref	Underspends/ Additional Income	£'000
a	Investment Income (net)	(319)
b	Housing Benefits	(267)
c	Asset Replacements	(198)
d	Staffing	(194)
e	Careline Service income	(73)
f	Insurance premiums	(61)
g	Bank Charges	(45)
h	Land charges (net)	(39)
i	Non-ring fenced government grants	(39)
	Overspends/ Shortfall of income	£'000
j	Car Parks	379
k	Business Rate Retention Scheme	244
l	Redundancy costs	164
m	Planning income	101

	Overspends/ Shortfall of income (contd)	£'000
n	Electoral Services VAT	27
o	Chichester Contract Services (CCS) efficiency review	20
	Minor variation (net)	5
	(Surplus) / Deficit for the year	(295)

The following paragraphs provide an explanation for the main variances:

a. Income from Investments – additional income of £319,000

This variation is the additional income due to the Authority from its investment in the Local Authority's Property Fund.

b. Housing Benefits – a decrease in costs of £267,000

The net impact of Housing Benefit payments after the receipt of government subsidy is extremely difficult to predict as it is influenced by caseload volume, changing economic conditions and also government initiatives that affect the value of payments made and also the levels of subsidy provided. During 2016-17 the Council received £228,000 additional subsidy following the audit of its 2015-16 Housing Benefit Subsidy Claim, and has claimed an additional £48,000 above expenditure incurred in its 2016-17 Subsidy Claim.

The value of this variation represents 0.7% of the Housing Benefit expenditure budget of £34.7m.

c. Asset Replacements – a decrease in costs of £198,000

A review of the Asset Replacement Programme as part of the Council's deficit reduction programme identified a reduction of £198,000 in the annual contribution required to support the 25 year programme. Originally it was envisaged that this saving would be from the financial year 2017-18 onwards, however it has also been possible to reduce this annual contribution for 2016-17.

d. Staffing – a decrease in costs of £194,000

Staff vacancy savings of £479,000 accrued across council services during the year. The largest vacancy saving was experienced in the Revenue and Benefits service (£137,000). This underspend was £194,000 more than the £285,000 vacancy saving built in the base budget.

e. Chichester Careline – additional income of £73,000

Increased income has been achieved from winning contracts and reviewing corporate client charges. As a consequence additional income has also been generated from monitoring services provided.

f. Insurance premiums – a decrease in cost of £61,000

A saving of £20,000 was achieved during 2016-17's premium renewal process and the effect of the externalisation of leisure services on the current insurance contract. In addition a £15,000 refund was received for the 2015-16 insurance premium as a consequence of the externalisation of the leisure service in May 2016. Self-insurance costs were also lower this year resulting in a further underspend of £25,000 at the year end.

g. Bank charges – a decrease in cost of £45,000

This underspend is due to a discount for the first year of operation for the new corporate bank service provider, and also as a result of the externalisation of leisure services and related bank processing fees for income collected for these services.

h. Land Charges – Net decrease of £39,000

This service experienced an increase of over 300 searches between January and March 2017 due to a Housing Association merger that required searches on all their properties. In addition a £5 price increase on full searches came into effect from January 2017. This generated additional income of £55,000.

A final payment of £25,000 to settle an ongoing legal claim was made during the year. This payment was partially funded by the receipt of additional government grant of £9,000.

i. Non-ring fenced government grants – additional income of £39,000

The Council received a number of unanticipated government grants during 2016-17: Council tax annexe discount (£14,000), Transparency code set up grant (£8,000), other minor grants (£16,000).

j. Car Parks – a shortfall of income of £379,000

The main reason for this shortfall was the inclusion of a targeted income volume increase of some £300,000 which was set for the authority for 2016-17 following a meeting of the Commercial Board. Unfortunately it became apparent during the year that this target would not be achieved, and as a consequence the 2017-18 budget estimate was amended.

k. Business Rates Retention Scheme – an increase in cost of £244,000

This is the Council's share of the Business Rates collection fund and reflects the outturn position. It is the sum of multiple movements in both income and expenditure, although the main driver of the deficit position was budgetary estimates that were subsequently amended.

l. Redundancy costs – a cost of £164,000

The restructure of a number of council services took place during the financial year. These resulted in a small number of redundancies:

- Housing Benefits service £75,000;
- Legal Services £48,000;
- IT Services £33,000; and,
- Pest Control service £8,000.

m. Planning income – shortfall of income of £101,000

The variance from budgeted planning application income in 2016-17 was due primarily to a change in the nature of major applications submitted to the Council, with a greater number of smaller scale major schemes being submitted which attracted a lower fee. There was also lower than expected pre-application fee income, similarly as a result of fewer major pre application schemes being submitted to the Council. Several major applications that were anticipated before the end of the financial year were delayed by developers.

n. Electoral services VAT – an additional cost of £27,000

For three elections dating back to 2014, the Council acted only as an agent for the returning officer of those elections. A repayment of value added tax was made in August 2016 as the supply for VAT purposes did not relate to the Council.

o. Chichester Contract Services (CCS) efficiency review – an increase in cost of £20,000

Alongside the CCS Improvement Programme it was felt that independent review with a wider remit would be beneficial. As a result consultants were engaged to provide a high level assessment and review of the services provided by CCS. The positive outcome of this review was reported to Cabinet in February 2017.

3.3.3 The impact of these variations will be taken into account while monitoring and forecasting the 2017-18 budget, and will also be considered when the setting the 2018-19 base budget.

### **3.4. Looking ahead**

3.4.1 From 2017-18, the timescales in relation to the signing, approval and publication of the statement of accounts will change.

3.4.2 The Council's s.151 officer must sign and date the statement of accounts, confirming that they present a true and fair view of the financial position of the Council at the end of the financial year to which it relates and the Council's income and expenditure for that financial year, by 31 May.

3.4.3 The period for the exercise of public rights (of inspection of the accounts) must include the first 10 working days of June.

3.4.4 Following the conclusion of the period for the exercise of public rights and the audit of the accounts, the Council's Corporate Governance and Audit Committee must consider the Statement of Accounts and approve them. The s.151 officer must also re-confirm on behalf of the Council that they are satisfied that the Statement of Accounts presents a true and fair view before this approval

3.4.5 After approving the Statement of Accounts the Council must publish the Statement of Accounts together with any audit certificate or opinion, the annual governance statement, and the narrative statement by 31 July.

3.4.6 Preparation for this is an ongoing process and officers have made a number of changes to the process already to ensure that the Council can meet these tighter deadlines.

## **4. Appendix**

Appendix 1 – Audited Statement of Accounts 2016-17

## **5. Background Papers**

None