

Audit Committee – 27 June 2016

Pre–Audit Draft Statement of Accounts 2015/16

Summary of report

This report presents the pre–audit draft Statement of Accounts along with a summary of these for the financial year 2015/16.

Recommendations

Audit Committee are requested to:

1. Note the pre–audit draft Statement of Accounts for 2015/16 (**Appendix 1**)
2. Note the draft Summary of Accounts (**Appendix 2**)



James Walsh
Chief Financial Officer

10 June 2016

Governance

Councils must produce annual accounts in line with the Accounts and Audit (England) Regulations 2015. The regulations require the Statement of Accounts to be considered and approved by the appropriate Committee of the council, by 30 September following the end of the financial year. These pre–audit draft accounts are presented to Audit Committee for information only as they are not required to be approved by Audit Committee.

Resource and Legal Considerations

As at 31 March 2016 the pre-audit Statement of Accounts show general fund services, (including earmarked reserves) to have an overall surplus for the year of £2.617m. The council had planned in year use of general reserves of £0.800m, a further £4.672m allocated in year as approved by Cabinet, transfers of £4.609m arising from a review and subsequent release of earmarked reserves, and replenishment of general reserves of £2.780m, therefore the net position for the council is an under spend against budget of £0.701m.

This results in net general reserves of £14.131m as at 31 March 2016, however after use of approved reserves as per the 2016/17 budget opening reserves will be £13.532m.

Changes to accounting policies

As reported to Audit Committee in April 2016 there have been a number of amendments to the councils accounting policies. These have been applied in full when preparing the 2015/16 Statement of Accounts.

Judgements made within the accounts

In applying the accounting policies set out within the Statement of Accounts the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The main judgements are in the following areas:

There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that it does not yet have sufficient detail to provide an indication that its assets might be impaired as a result of a need to close facilities and reduce levels of service provision.

The council determined that there was no group relationship with Birmingham Airport Holdings Ltd. The basis for this conclusion was that the council had insufficient voting power to affect any decision changes, had no material transactions and did not provide essential technical information. The investments are classified as available for sale financial assets as a recent valuation is available.

The council has determined that although a group accounting relationship exists with Walsall Adult and Community College (WACC) the relationship is not material. As such the council (as agreed with the council's external auditors) has not produced group accounts. Further information on this group relationship can be found in note 5, page 53 – Related Parties within **Appendix 1**.

In determining which leases were finance leases an assessment was made against all recognition criteria especially where the lease period was greater than 75% of the asset's expected life, or where the value of discounted minimum lease payments is close to 90% of the asset value. Where a lease met at least two of the criteria it was usually classified as a finance lease.

To decide whether to apply componentisation for property, plant and equipment, each identified component was assessed to determine whether it had a significantly different life to other components within the same asset. It was also assessed to determine if the component was a significant element of the asset. Only if it is deemed that it would make a material difference to the financial statements would it then be recorded as a component.

For assets where it is difficult to establish a market value, for instance because they are specialist in nature or are rarely sold, the council utilises a depreciated replacement cost (DRC) based on utilising the latest established 'Average Building Prices' information obtained from the Building Cost Information Service (BCIS) website as its baseline data, and applies an inflation rate, obtained from the quarterly BCIS 'General Cost Indices', to reflect change in prices.

Looking forward

The going concern assumption is a fundamental principle in preparing financial statements. Under this principle, Walsall MBC is deemed to be a going concern for the foreseeable future. The statutory duties undertaken by the council and the method in which funding is raised and provided by central Government are set to continue.

There is no intention to cease trading or seek protection from creditors.

In addition to this the council has a Medium Term Financial Strategy (MTFS) which is regularly reviewed with the medium term financial outlook updated to reflect the forecast financial position of the council going forward.

Performance management and risk management issues

The 2015/16 outturn provides a sound, stable financial foundation to affect service delivery and continue to drive service improvement. As part of the council's performance management system, managers are set many targets, one of which is to deliver their service targets within the cash limited budget. This has been demonstrated overall in 2015/16, although some services did require in year use of general reserves to meet demand pressures.

Equality implications

Improving ease of understanding of the accounts is intended to make the annual Statement of Accounts more readily accessible to the general public. The accounts will be available on request in different formats, for example, hard copy, soft copy via the web site, Braille and in different languages.

Consultation

The report is prepared in consultation with various managers.

Background Papers

Various financial working papers, statutory and other guidance.

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