

**TO: GOVERNANCE AND AUDIT COMMITTEE  
21 SEPTEMBER 2016**

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**FINANCIAL STATEMENTS 2015/16  
Borough Treasurer**

**1 PURPOSE OF REPORT**

- 1.1 In accordance with the Accounts and Audit Regulations 2015, the Borough Treasurer signed the draft 2015/16 Statement of Accounts on 26 May 2016. Copies of the draft Financial Statements were subsequently circulated to all Council Members. The accounts were then subjected to audit by Ernst and Young LLP. As a result of the audit there have been no changes to the draft Financial Statements. This report summarises for Committee Members the key elements within the accounts and the findings of the audit.

**2 RECOMMENDATIONS**

**That the Committee:**

- 2.1 **Approves the Financial Statements for 2015/16 attached at Annexe A;**
- 2.2 **Authorises the Chairman of the meeting to sign and date the Statement of Accounts on behalf of the Committee;**
- 2.3 **Authorises the Chairman of the meeting to sign and date the Letter of Representation set out in Annexe B.**

**3 REASONS FOR RECOMMENDATIONS**

- 3.1 The Accounts and Audit Regulations 2015 require the accounts to be approved by Council (or Committee of the Council) and the Chairman of the meeting to formally sign the accounts to certify that this has been undertaken.

**4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 None.

**5 SUPPORTING INFORMATION**

**5.1 Outturn Expenditure 2015/16**

- 5.1.1 The Council, at its meeting on 25 February 2015, approved a revenue budget for 2015/16 of £79.179m. The actual outturn for the General Fund is within budget with an under spend of -£2.702m. This is the eighteenth consecutive year the Council has managed to spend within its budget. In fact the Council had planned to use £0.932m from General Balances to support the 2015/16 budget. Taking this under spend into account the Council actually returned £1.770m to the General Fund.

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### 5.1.2 The most significant variances were:

- Additional income from Industrial and Commercial Properties (-£0.099m).
- An under spend in the Operations Unit primarily from reduced Home to School Transport and reactive maintenance costs (-£0.376m).
- Within Learning and Achievement, additional income was earned at the Bracknell Open Learning Centre from lettings and courses, fee income from the School Improvement Team and fixed penalty notices (-£0.131m). In addition, a saving was achieved on higher education fees (-£0.041m).
- The number of Special Guardianship Orders and Childcare Solicitor assessments increased, resulting in over spends (£0.151m).
- An under spend on Learning Disabilities (-£0.938m) partly offset by additional costs on Physical Support (£0.407m) and Support with Memory and Cognition (£0.376m). These variances primarily relate to care package costs and Continuing Health Care Funding.
- A significant increase in the recovery of Housing Benefit overpayments during the year resulted in additional income (-£0.462m) which was partly offset by additional agency staff costs (£0.145m).
- Agency staff overspends at Heathlands care home (£0.194m), additional homeless family costs (£0.071m) and an over spend on Forestcare relating to staff and equipment (£0.133m).
- Additional income at the Cemetery and Crematorium (-£0.114m), the Lookout (-£0.133m), Downshire Golf Course (-£0.045m), and from Waste (-£0.058m), Local Land Charges grant (-£0.072m) and Building Control (-£0.090m).
- An under spend on Waste Disposal due to reduced tonnages and the resolution of the dispute on recyclate income (-£0.426m).
- Concessionary Fares under spent due to a reduction in passenger numbers (-£0.145m).
- Higher cash balances have been sustained throughout the year resulting in additional interest (-£0.459m).
- Internally funded capital expenditure was financed from internal borrowing to spread the cost impact on revenue. The capital expenditure charged to the General Fund budget was therefore not required (-£0.314m). Higher than forecast capital carry forwards created an under spend against the Minimum Revenue Provision (-£0.118m).
- The Contingency was not fully allocated during the year (-£0.886m).
- Further income was received relating to the Council's deposit with Heritable Bank (-£0.082m). The Council has now recovered 100% of its original deposit (£2m), and £0.011m in interest. An exchange rate gain also occurred on the deposit held in Iceland relating to Glitnir Bank (-£0.095m).
- Transfers into the Structural Changes Reserve (£1m) and Transformation Reserve (£1m) to fund the Council's transformation programme and any resulting staffing implications.

A detailed comparison of the outturn and estimated expenditure is provided in the Explanatory Foreword on pages 3 to 5 of the Financial Statements.

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### Comprehensive Income and Expenditure Statement

- 5.1.3 The Statement shows a surplus on the Provision of Services of -£6.820m. This is because the statement shows the cost of providing services in accordance with accounting practices, rather than the amount to be funded from taxation. The taxation position which shows the real impact on the General Fund is shown in the Movement in Reserves Statement. The Comprehensive Income and Expenditure Statement also includes gains and losses arising from the revaluation of assets and changes in pension liabilities. The total figure of -£42.797m explains the change in the net assets of the Council presented in the Balance Sheet. Individual Balance Sheet items are discussed in more detail below.
- 5.1.4 Within the Cost of Services, the comparative changes in Net Cost primarily relate to capital charges. In particular, the comparative decrease in Children and Education Services relates to the downward revaluation of schools in 2014/15 which was not repeated in 2015/16.
- 5.1.5 The gain on the disposal of Property, Plant and Equipment primarily relates to the gain on the disposal of Binfield Nursery (-£2.1m) less the loss arising from the replacement of parts of assets, for example road resurfacing.

### **5.2 Changes to Accounting Policies and Disclosure Requirements**

- 5.2.1 A new standard (IFRS 13) on Fair Value measurement was adopted by the Code of Practice for Councils in 2015/16. This has required Surplus Assets and Investment Property to be reassessed to ensure they are held at best market value in the Balance Sheet. Although alternative uses were assessed for Investment Property the highest and best use of these assets continues to be their current use. A change in valuation basis was therefore not required (page 41 and note 17 of the Financial Statements).

### **5.3 Provisions**

- 5.3.1 The Council's balances contain specific provisions for known liabilities where the timing or amount of the liability is uncertain. These are considered each year as part of the budget cycle to ensure adequacy and need, and are again reviewed at the year end, in considering the annual accounts. Provisions have decreased by £10.738m to £2.462m (page 81 of the Financial Statements).
- 5.3.2 The provision for Business Rates appeals is required to cover the liabilities arising from the refunding of ratepayers who successfully appeal against the rateable value of their properties on the rating list. The Council's share of the provision has decreased by £9.035m to £1.774m primarily due to the settlement of a number of outstanding appeals including Vodafone. In addition a number of Compulsory Purchase Orders relating to the Town Centre Regeneration have now been settled (£1.654m).

### **5.4 Revenue Reserves**

- 5.4.1 These are the reserves of the authority at 31 March 2016, consisting of Earmarked Reserves, the General Reserve and other Revenue Reserves (e.g. the Pension Reserve).

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- 5.4.2 Earmarked Reserves are sums of money which have been set aside for specific purposes. These are excluded from general balances available to support revenue or capital expenditure.
- 5.4.3 The Borough Treasurer has taken the opportunity to review earmarked reserves and adjusted them to reflect the changing risks the organisation faces and these changes were presented to the Executive in the Revenue Expenditure Outturn 2015/16 Report on 18 July 2016. The Council's Reserves and Balances Policy Statement which sets out the purpose of each reserve was included at Annexe D to that report. Earmarked Reserves totalling £30.139m, a decrease of £0.150m on last year's figure, are proposed and are summarised on page 83 of the Financial Statements.
- 5.4.4 There are also a number of unusable revenue reserves, such as the Pension Reserve, so called because the Council is not able to utilise them to provide services. They are adjustment accounts which deal with situations where income and expenditure are recognised statutorily against the General Fund balance on a different basis from that expected by the Accounting Code of Practice.

### General Reserves

- 5.4.5 The General Fund Balance stands at £12.730m as at 31 March 2016. The original 2016/17 budget included plans to spend £5.174m of this reserve; however additional in-year savings approved by Council on 13 July 2016 should reduce this to a more sustainable £1.777m.

## **5.5 Other Balance Sheet Issues**

- 5.5.1 The Balance Sheet shows that the Council holds long term assets valued at £573.0m (excluding pension assets), with Other Land and Buildings at £443.5m representing the most significant category. The overall value has increased by £44.8m compared to 2014/15. Revaluation increases in Investment Property and Other Land and Buildings combined with substantial spend on new assets and assets under construction account for the change.
- 5.5.2 Short Term Debtors have decreased by £4.9m to £23.4m. This comparative decrease primarily relates to a payment in advance for the purchase of Bracknell Bus Station (-£4.3m) and outstanding joint arrangements (-£2.4m) in 2014/15 only, partly offset by an increase in trade debtors in 2015/16 - particularly those relating to CIL (£2.5m).
- 5.5.3 Cash and Cash Equivalents (investments of less than 3 months duration) have reduced by £12.5m to £20.2m. This reflects the expected net cash outflow resulting from expenditure on the Council funded Capital Programme.

### Capital Financing Requirement

- 5.5.4 The Council's Capital Financing Requirement (CFR) increased during the year by £7.6m to £62.3m as at 31 March 2016. This is a measure of the capital expenditure incurred historically by the Council that has yet to be financed and represents the underlying need to borrow. However, overall the Council was debt free at 31 March 2016 and did not need to borrow externally

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to finance capital expenditure. A charge is made each year to revenue known as the Minimum Revenue Provision which writes down the balance of the CFR over time. Further details can be found in Note 18 of the Financial Statements.

### **5.6 Audit of Accounts**

- 5.6.1 The draft accounts have been subject to scrutiny by the Council's external auditor. Following the audit of the accounts no amendments were required to the Statement of Accounts.

### **5.7 Letter of Representation**

- 5.7.1 The Letter of Representation (Appendix B of the audit results report) is a significant part of the audit process that enables the external auditor to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended. The Committee is asked to review and confirm its approval of the letter.

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

- 6.1 The Accounts and Audit Regulations 2015 require the 2015/16 Statement of Accounts to be formally approved by Members (a Committee or Council) and signed by the Chairman / Mayor by 30 September 2016 and for the accounts to be signed by the appointed auditor by 30 September 2016.

### Borough Treasurer

- 6.2 The Financial Statements 2015/16 is the published document which includes the 2015/16 Statement of Accounts. The Statement of Accounts includes the Movement in Reserves Statement, Comprehensive Income & Expenditure Statement, Balance Sheet, Cash Flow Statement and Collection Fund together with notes which expand and explain the information in these statements.

### Equalities Impact Assessment

- 6.3 None required.

### Strategic Risk Management Issues

- 6.4 There are none arising directly from this report.

## **7 CONSULTATION**

Not applicable.

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