

Audit Committee

Statutory Final Accounts 2015/16

Item no: 05

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Date: 22 September 2016
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Summary

This report presents the audited statement of accounts for 2015/16 for approval.

The accounts to be approved comprise of London Councils Consolidated Statement of Accounts for 2015/16, London Councils Transport and Environment Committee Statement of Accounts for 2015/16 and London Councils Grants Committee Statement of Accounts for 2015/16.

Recommendations

The Audit Committee is asked:

- To approve the statement of accounts, as detailed at Appendices A to C of this report.

Introduction

1. This report presents the annual audited statements of accounts for approval. The accounts to be approved comprise of London Councils Consolidated Statement of Accounts for 2015/16, London Councils Transport and Environment Committee Statement of Accounts for 2015/16 and London Councils Grants Committee Statement of Accounts for 2015/16. London Councils' financial regulations require the Director of Corporate Resources to present the audited statement of accounts to the Audit Committee for approval by 30 September each year.
2. KPMG has completed the audit of the provisional consolidated accounts for London Councils (incorporating the activities of London Councils Limited) and the separate statutory accounts for both the Grants Committee and the Transport and Environment Committee for 2015/16. The Audit Committee is therefore asked to approve these audited, together with the annual report, which is subject to a separate report on this agenda.

Audited Financial Results 2015/16

3. The London Councils' Executive noted the pre-audited financial results for 2015/16 at their meeting on 21 June 2016. This report showed the provisional levels of income and expenditure for the year, and compared the results against the approved budget. There has been no change to the provisional surplus of £3.293 million following the completion of the audit.
4. The finalised revenue outturn for 2015/16, split across the three funding streams, is highlighted in Table 2 below:

Table 2 - Audited surplus 2015/16 split across funding streams

	Grants	TEC	Core	Consolidated
	£000	£000	£000	£000
Total Expenditure	8,889	46,405	13,594	68,888
Total Income	(9,509)	(46,945)	(12,860)	(69,314)
Interest income/expense	32	241	485	758
(Surplus)/Deficit for the year before transfer from reserves	(588)	(299)	1,219	332
Use of Reserves	(579)	(731)	(2,315)	(3,625)
Audited surplus for the year after transfers from reserves	(1,167)	(1,030)	(1,096)	(3,293)

5. In accordance with Local Authority Accounting (LAA), the use of reserves during the year is excluded from each of the Comprehensive Income and Expenditure Statements featured in the audited accounts so that the statements only reflect the income and expenditure due in the relevant financial year. LAA also requires that actuarial gains or losses on the pension scheme during the year are included in the statement to derive the Total Comprehensive Income and Expenditure. These gains or losses which have not been realised arise due to the actual experience or events differing from the assumptions

adopted by the actuary at the previous valuation. The effect of these requirements on the audited accounts is summarised in Table 3 below:

Table 3 – Adjusted position 2015/16 as shown in the statutory accounts

	Grants	TEC	Core	Consolidated
	£000	£000	£000	£000
(Surplus)/Deficit for the year before transfer from reserves	(588)	(299)	1,219	332
Actuarial gain on pension assets/liabilities	(397)	(1,406)	(2,093)	(3,896)
Total Comprehensive Income and Expenditure	(985)	(1,705)	(874)	(3,564)

- London Councils set a balanced budget for all three funding streams for 2015/16. An analysis of the main variances was included in the pre-audited report presented to the Executive in June. An update on the audited position will be presented at the next meeting of the Executive. An analysis of the main variances that contributed to the audited surplus of £3.293 million is included for information for the Committee in Table 4 below:

Table 4 – Analysis of revenue account surplus 2015/16

	£000
Grants Committee	
Underspend on main grants programme	(179)
Underspend on ESF match funded programme	(988)
Transport & Environment Committee	
Underspend on Freedom Pass non-TfL bus services	(698)
Net surplus on Lorry Control administration & PCN income	(416)
Net surplus on Freedom Pass survey and reissue costs	(257)
Net deficit on parking appeals	225
Net deficit on London Tribunal administration	165
Core Joint Committee	
Underspend on employee costs	(184)
Underspend on improvement and efficiency work	(109)
Underspend on research and commissioning	(221)
Underspend on borough contributions to LCP	(87)
Net surplus on central recharges	(481)
Residual variances across all funding streams	(63)
Audited surplus for the year	(3,293)

- Detailed explanation of these variances can be found in the Narrative Report on pages 22 to 25 of the Consolidated Statement of Accounts at Appendix A.

8. The level of usable reserves for each funding stream as at 31 March 2016 has been confirmed as follows:

Table 5 – Audited position on reserves as at 31 March 2016

	Grants	TEC	Core	Consolidated
	£000	£000	£000	£000
Audited Reserves at 1 April 2015	1,324	3,535	6,623	11,482
Transfer to Revenue	(498)	(296)	(1,340)	(2,134)
Surplus for the Year	1,167	1,030	1,096	3,293
Audited Reserves at 31 March 2016	1,993	4,269	6,379	12,641

9. The IAS19 (formerly FRS17) Pension Deficit has decreased from £25.449 million as at 1 April 2015 to £23.026 million as at 31 March 2016, a decrease of £2.423 million. The reason for this reduction in the pensions deficit is primarily due to changes in the financial assumptions in relation to discount rate yields and the CPI inflation rate that have led to a reduction in the defined benefit obligation. This deficit will continue to be recovered through future employers' pension contribution rates and anticipated improved returns on existing pension fund assets and will not, therefore, be a first call on existing London Councils reserves.

The Statutory Accounts

10. The audited statutory accounts can be found at Appendices A – C. The accounts consists of the following core statements:
- **Movement in Reserves Statement**
This statement shows the movement in the year on the different reserves held by the Committee, analysed into usable reserves and unusable reserves.
 - **Comprehensive Income and Expenditure Statement**
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.
 - **Balance Sheet**
The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Committee. The net assets of the Committee (assets less liabilities) are matched by the reserves held by the Committee.
 - **Cash Flow Statement**
The Cash Flow Statement shows the changes in cash and cash equivalents of the Committee during the reporting period.
11. The statement of accounts include a number of notes that provide further detail to the cost, income and balances shown within the core statements.
12. Each statement also contains a review of the Committee's activities during the year, a Narrative Report which provides a summary of the financial outturn and an Annual Governance Statement (AGS) which is a description of the key elements of the systems and processes that comprise the governance arrangements and the procedures applied

to maintain and review their effectiveness. London Councils' AGS for 2015/16 was approved by the Audit Committee at their meeting on 22 June 2016.

Financial Implications

The financial implications are contained in the body of the report.

Legal Implications

London Councils' financial regulations require the Director of Corporate Resources to present the audited statement of accounts to the Audit Committee for approval by 30 September each year.

Equalities Implications

None

Appendices

- Appendix A: London Councils Joint Committee Consolidated Statement of Accounts for the year ended 31 March 2016
- Appendix B: London Councils Transport and Environment Committee Statement of Accounts for the year ended 31 March 2016
- Appendix C: London Councils Grants Committee Statement of Accounts for the year ended 31 March 2016

Background papers

2015/16 Final accounts working files