

**To:** Audit and Governance Committee

**Date:** 28 June 2017

**Report of:** Head of Financial Services

**Title of Report:** Statement of Accounts for the Year Ending 31<sup>st</sup> March 2017

### Summary and Recommendations

**Purpose of report:** To present the Council's Statement of Accounts for the year ending 31<sup>st</sup> March 2016 to the Audit and Governance Committee.

**Key Decision?** No

**Executive lead member** Councillor Ed Turner

**Policy Framework:** Budget

**Recommendation(s):** That the Committee note the contents of the Statement of Accounts certified by the Head of Financial Services(Section 151 Officer).

### **Appendix A – Statement of Accounts 2016/17**

#### **Approval of the Statement of Accounts**

- 1 The Statement of Accounts for 2016/17 are attached at Appendix A. The Accounts and Audit Regulations 2015 which revoke and replace the 2011 Regulations have an impact on the preparation, approval and publication of the Statement of Accounts.
- 2 With effect from next year, the 2017/18 accounts will be required to be prepared by 31<sup>st</sup> May and audited accounts published by 31<sup>st</sup> July 2017.
- 3 The Councils Financial Services Team has been working towards an earlier closedown for 2015-16 and 2016/17. The external auditors Ernst and Young have already undertaken some preliminary testing as part of their preparations for the earlier audit. The accounts for 2016-17 were drafted and prepared by

31<sup>ST</sup> May and handed to the auditors to commence their audit on 19<sup>th</sup> June 2017 which they are scheduled to complete in four weeks.

### **The Explanatory Foreword**

- 4 The explanatory foreword, shown on pages 7- 20 of the Statement, explains the more significant features of the accounts. It is based on the information contained within the Statement and fulfils a similar purpose to a directors' report in company accounts.

### **Major Changes Affecting the Statement of Accounts**

- 5 The Council's accounting policies are set out on pages 116 to 132 of the Statement of Accounts. These Policies are largely unchanged from last year. However, there are some key events that have taken place over the year which have a material impact on the understanding of the Accounts. They are detailed as follows:

- **Pension Fund**

The liability reported as at 31 March 2016 was £133.8 million. The revised liability as at the 31 March 2017 is £179.5 million. The increase is due to a number of factors, the most significant of which are actuarial losses of £39.8 million due mainly to significant changes in financial assumptions and offset by anticipated returns on assets. More information regarding the Defined Benefit Pension Scheme can be found in note 42 of the Statement of Accounts (page 80).

- **Oxford Housing Company Ltd (OHCL)**

The Company which is 100% owned by the Council was incorporated in June 2016. In the first financial year of operation the company purchased 5 dwellings from the Council with a loan advanced from the Council in the sum of £743k. The company made a small loss of £57k.

### **General Fund Outturn Position**

- 6 The Council set a budget for spending on General Fund services of £19.853 to be financed by Grant funding of £2.849 million, Council Tax of £12.424 million and Collection Fund surpluses of £4.580 million.
- 7 The Council Tax for a Band D property was set at £289.04 (including parish precepts), a 1.99% increase for the City Council Tax on the previous year.
- 8 The table below shows the Council's outturn position at service level against the latest budget: a favourable position of £0.159 million. This was transferred to Earmarked Reserves to fund future capital schemes.

	Net Approved Budget 2016/17 £000	Net Revised Budget 2016/17 £000	Net Expenditure 2016/17 £000	Variance 2016/17 £000
<b>Assistant Chief Executive</b>	<b>609</b>	<b>782</b>	<b>846</b>	<b>64</b>
Partnerships	485	571	578	7
Planning and Regulatory	1,301	1,476	1,829	353
Housing and Property	(5,023)	(5,347)	(5,446)	(99)
<b>Regeneration and Housing</b>	<b>(3,237)</b>	<b>(3,300)</b>	<b>(3,039)</b>	<b>261</b>
Environmental Sustainability	634	689	718	29
Community Services	4,919	5,300	5,310	10
Direct Services	2,674	4,326	3,486	(840)
<b>Community Services</b>	<b>8,227</b>	<b>10,315</b>	<b>9,514</b>	<b>(801)</b>
Transformation	377	407	407	-
Business Improvement	8,565	9,295	9,601	306
Welfare Reform	141	373	373	-
Financial Services	2,634	2,854	2,954	100
Law and Governance	2,450	2,628	2,539	(89)
<b>Organisational Development &amp; Corporate Services</b>	<b>14,167</b>	<b>15,557</b>	<b>15,874</b>	<b>317</b>
<b>Total Service Expenditure</b>	<b>19,766</b>	<b>23,354</b>	<b>23,195</b>	<b>(159)</b>
Corporate Accounts and Contingencies	87	(3,501)	(3,342)	159
<b>Net General Fund Expenditure</b>	<b>19,853</b>	<b>19,853</b>	<b>19,853</b>	<b>-</b>
<b>Total Funding</b>	<b>19,853</b>	<b>19,853</b>	<b>19,853</b>	<b>-</b>
<b>Net (Surplus)/Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Working Balance</b>	<b>(3,622)</b>	<b>(3,622)</b>	<b>(3,622)</b>	<b>-</b>

The key variances across the Directorates are:

### **Assistant Chief Executive**

- Year end favourable variance of 0.064 million net of a carry forward request for £0.100 million being approved to provide a contribution in respect of working with the Clinical Commissioning Group in 2017/18 offset by additional local district contributions being received in respect of Unitary Authority work.

### **Regeneration & Housing**

- **Planning & Regulatory** - Year end variance of £0.353 million, due to staffing pressures across the service area, and a decline in income on some of the key income streams previously reported. Underspends on Grenoble Road planning work and preparation of the Oxford Plan were also achieved and have been requested to carry forward into 2017/18.
- **Housing & Property** – year end favourable variance of (£0.099) million, due to an underspend of £0.400 million within the Homelessness prevention area and additional commercial property income of £0.400. Carry forward requests totalling £0.697 million have been submitted, these are for the Homelessness prevention funds, which have previously been reported to the City Executive Board, and some planned maintenance schemes for the Town Hall and Covered Market that have not been completed in year.

### **Community Services**

- **Direct Services** - Year end favourable variance of (£0.840) million, due to savings on fuel prices of (£0.132) million and overachievement of income in Motor Transport of (£0.100) million, commercial Waste of (£0.200) million, off street parking of (£0.470) million and engineering services of (£0.250) million. £0.400 million of this favourable variance has been requested to fund two new bids in 2017/18 for the extension to Cowley Marsh Depot and funding the set up of the new Trading Company.

### **Organisational Development and Community Services**

- **Financial Services** - Year end adverse variance of £0.100 million due to reduced court costs income from Council Tax summons, as previously reported to City Executive Board. Proactive work has reduced the number of court cases and secured payments of council tax arrears to the detriment of court cost income.
- **Business Improvement** - Year end adverse variance of £0.306 million due to overspends on the telephony project, this has been offset by underspends within Organisational Development and Business Improvement. Carry forward requests have been submitted for £0.076 million relating to liP and Apprenticeships, along with a request for a new budget of £0.200 million for the implementation of the new Housing Management and Job Costing System.
- **Law & Governance** - Year end favourable variance of (£0.089) million due to staffing savings across the team, and an underspend on External Legal fees.

### **Corporate Accounts and Contingencies**

- The balance of £5.292 million on the Corporate Accounts is mainly from Transfers to Capital Reserves, which is the reversal of the upward revaluation of the Councils Investment Properties to ensure that these charges do not impact on the bottom line of the financial accounts
- **Local Cost of Benefits** – Spend on Housing Benefit expenditure net of Housing Benefit subsidy and income from overpaid Housing Benefit shows an adverse variance of around £0.946 million. This has been partially mitigated by transfers from Earmarked Reserves established specifically for this purpose to give a final outturn position of £0.646 million. As previously reported this has largely arisen due to lost subsidy from errors and delays in the processing of housing benefit claims. A recovery plan is in place to mitigate these issues going forward.
- **Investment Income** – A favourable variance of £0.398 million has arisen from increased investment income from our property fund investments and loans to OxWED.

## Housing Revenue Account Outturn Position

- 9 The table below shows that the Housing Revenue Account has an overall favourable variance of (£0.165) million against a revised budgeted surplus of (£0.165) million.

	Net Approved Budget 2016/17 £'000	Net Revised Budget 2016/17 £'000	Net Expenditure 2016/17 £'000	Variance 2016/17 £'000
Dwelling Rent	(41,528)	(43,362)	(43,701)	(339)
Service Charges	(1,267)	(1,567)	(1,701)	(134)
Garage Income	(206)	(206)	(197)	9
Miscellaneous Rent	(783)	(1,528)	(1,621)	(93)
Right to Buy	(52)	(52)	(33)	19
<b>Income</b>	<b>(43,836)</b>	<b>(46,715)</b>	<b>(47,253)</b>	<b>(538)</b>
Management & Services (Stock Related)	9,896	9,290	8,336	(954)
Misc Expenditure (Not Stock Related)	295	430	320	(110)
Other Revenue Spend (Stock Related)	191	129	124	(5)
Bad Debt Provision	366	366	292	(74)
Responsive and Cyclical Repairs	10,416	10,967	11,302	335
Interest Paid	7,920	7,702	7,702	-
Depreciation	5,994	5,994	6,783	789
<b>Expenditure</b>	<b>35,078</b>	<b>34,878</b>	<b>34,859</b>	<b>(19)</b>
<b>Net Operating Expenditure / (Income)</b>	<b>(8,758)</b>	<b>(11,837)</b>	<b>(12,394)</b>	<b>(557)</b>
Appropriations	8,747	11,672	12,229	557
<b>Net (surplus)/deficit</b>	<b>(11)</b>	<b>(165)</b>	<b>(165)</b>	<b>-</b>
<b>Working Balance</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>(4,000)</b>	<b>-</b>

- 10 The majority of this variance arises from:

### Income

- **Dwelling Rent** has a favourable variance of (£0.339) million, this is due to fewer Right To Buy sales during the year than originally projected (budgeted 40 RTB sale and actual RTB disposal totalled 25). Additional rental income, was also received from the 75 units being made available for Temporary Accommodation and a number of void properties converged to formulae rent during the year.
- **Service Charges** has a favourable variance of (£0.134) million, due to changes in the leaseholder charges that had not been budgeted for.

## Expenditure

- **Management and Services (Stock Related)** has a favourable variance of (£0.954) million which is due staff vacancies, savings in spend associated with public utilities, external consultancy and Council Tax associated with Void properties.
- **Misc Expenditure (Non Stock Related)** has a favourable variance of (£0.110) million, due to staff vacancies and reduced spend on utilities on Temporary Accommodation units.
- **Responsive and Cyclical Repairs** has an adverse variance of £0.335 million due to day to day responsive repairs and planned maintenance being overspent in year due to an increase in activity in this area.
- **Depreciation** has an adverse variance of £0.789 million. This represents the total amount of depreciation for Council Houses and other assets in the HRA, which are offset with a credit showing in the Appropriations lines.
- **Appropriations** has an overall adverse variance of £0.557 million, these accounts represent the entries relating to movements to and from reserves, capital financing, depreciation and impairments.

## **Capital Outturn Position**

- 11 The table below shows capital expenditure for the year was £32.526 million compared to a revised budget of £36.276 million. The total variance of £3.749 million compared to the latest budget is made up of £0.220 million of underspent schemes and £3.531 million of slippage into future years.

	Original Approved Budget 2016/17 £'000	Latest Budget 2016/17 £'000	Spend to 31 March 2016/17 £'000	Outturn Variance to Latest Budget 2016/17 £'000	Outturn Variance due to Slippage 2016/17 £'000	Outturn Variance due to Over / (Under) spend 2016/17 £'000
General Fund Total	20,840	16,374	14,391	(1,982)	(1,902)	(81)
Housing Revenue Account Total	21,033	19,902	18,135	(1,767)	(1,629)	(139)
<b>Grand Total</b>	<b>41,873</b>	<b>36,276</b>	<b>32,526</b>	<b>(3,749)</b>	<b>(3,531)</b>	<b>(220)</b>

- 12 The key variations are detailed below:

### General Fund

- **Oxpens Regeneration** - £1.400 million - Due to an underspend in the original budgeted amount for land purchase
- **Disabled Facilities Grants** - £0.400 million - Due to delays in referrals being received from the County Council. Plans for the year ahead include meeting with the County commissioner to ensure we can support their needs, increasing staffing within the team and updating our policy, these will ensure that we can utilise the budget allocation as best we can

- **Compulsory Purchase Orders** - £0.800 million – Deletion of this scheme
- **National Homelessness Fund** – £0.500 million - Delay in property purchases
- **Go Ultra Low** - £0.800 million – Rephrasing of project spend
- **Seacourt Park and Ride** - £1.100 million – Delays in project delivery due to external influences
- **Quarry Pavilion** - £0.800 million - Delays in start on site
- **Investment Property Acquisitions** - £0.500 million - Slippage due to delay in working up the scheme
- **Other Net Changes in HRA Spend** - £1.600 million - Slippage due to a delay in a range of projects
- **Loans to Housing Company**- £0.750 million - Additional budget allocation approved by Full Council to provide funds for the Housing Company to purchase 5 properties from the HRA

#### **HRA**

- **Tower Blocks** - £1.300 million –Slipped into future years partly due to the delayed commencement of works at the beginning of the contract and partly due to delays in receiving statutory approvals to carry out the work to the entrances and landscaping. Despite these delays works are still expected to be completed within the original project timescale and budget envelope;

#### **The Collection Fund**

- 13 The Collection Fund (page 93) is the statement reflecting the Council’s statutory obligation as a Billing Authority to maintain a separate Collection Fund. The Statement shows the transactions the Council as a Billing Authority has undertaken in relation to, collection from taxpayers and distribution to local authorities and Government of Council Tax and Non-Domestic Rates.
- 14 The Collection Fund Balance at the end of the year was a £2.4 million net surplus. This represents a £1.4 million surplus on Business Rates and a £1.0 million surplus on the Council Tax element respectively. The Council Tax balance is shared between Oxford City Council, Oxfordshire County Council, and the Police and Crime Commissioner (Thames Valley) in proportion to their precept. The Business Rates balance is shared between Central Government, Oxford City Council and Oxfordshire County Council in the percentages 50% / 40% / 10% respectively.

	<b>Business Rates</b>	<b>Council Tax</b>	<b>Total</b>
	<b>2016/17</b>	<b>2016/17</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Oxford City Council	(543)	(171)	(714)
Oxfordshire County Council	(136)	(763)	(899)
Police and Crime Commissioner (Thames Valley)	-	(99)	(99)
Central Government	(680)	-	(680)
<b>Total (Surplus)/Deficit</b>	<b>(1,359)</b>	<b>(1,033)</b>	<b>(2,392)</b>

### **Financial Implications**

15 These are covered within the main body of the report.

### **Legal Implications**

16 These are covered within the main body of the report.

### **Risk Implications**

17 There are no risks associated with the recommendations in this report.

### **Communication**

18 The Council's accounts are subject to external audit by Ernst & Young LLP, the local address of which is Ernst & Young LLP, Apex Plaza, Forbury Road, Reading, RG1 1YE. Members of the public and local government electors have certain rights in the audit process: -

- a) From Monday 12<sup>th</sup> June 2017 to Friday 21<sup>st</sup> July 2017 between 9.30am and 4.30pm any person may inspect the accounts of the Council for the year ended 31<sup>st</sup> March 2017 and certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts) at the address given below. They may also make copies of the accounts and documents.
- b) During the period above a local government elector for the area of the council or their representative may make an appointment to ask the auditor questions about the accounts.
- c) From 9.30am on Monday 12<sup>th</sup> June 2017 until 4.30 pm on the 21<sup>st</sup> July 2017 a local government elector for the area of the Council or his / her representative, may object to the Council's accounts asking that the auditor issue a report in the public interest or which is contrary to law (under section 28 of the Local Audit and Accountability Act 2014). Written notice of a proposed objection and the grounds on which it is made must be sent to the auditor at the address given below.



- d) The address for communications, inspections, and objections in relation to the audit and inspection of accounts is: - Oxford City Council, St Aldates Chambers, OX1 1BX.

**Name and contact details of author:-**

Name: Nigel Kennedy

Job title: Head of Financial Services

Service Area / Department: Financial Services,

Tel: 01865 252708 e-mail: [nkennedy@oxford.gov.uk](mailto:nkennedy@oxford.gov.uk)

**Background papers: None**

**Version number:**

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