

Questions from Councillor Stephen Willoughby on the Council's Statement of Accounts 2016/17

Page	Section	Question	Response
Page 3	Narrative Statement - Revenue Income and Expenditure - a) Financial Performance against Budget	Actual Net Spending against Budget for 2016/17 (per Revenue Outturn report): What is the reason for the underspend of 38,092 on Organisation and Governance vs the budgeted amount of 44,642 Is this one of the reasons for the failings in that area?	No The Directorate actually overspent its budget but in last year the savings from Corporate Financing generated a total underspend. In 2017/18 reporting corporate costs are reported separately and the directorate position is clarified.
Page 10	Narrative Statement - i) Group Accounts	Significant items within the accounts What action is being taken to address the loss of £46m has been recognised on the net pension liability of £384m? Why do they not effect the usable resources the Council controls due to statutory requirements?	The “deficit” on the pension fund is assessed by the Scheme actuary on a triennial basis and steps taken at that time to address the longer term position to ensure liabilities are matched by assets of the fund. To make a single payment to address this would remove resources required to support the current activities of the Council
Page 14	Balance Sheet	What is the reason the increase in property, plant and equipment, and does this reflect the issues I this area that impacted preparation of the 2015/16 accounts and further delayed the publishing of this set of accounts?	No. The movement is due to an increase in the valuation the Council’s Social Housing Assets arising from a change in the valuation methodology set by the Government. This is detailed in note 16 in the financial statements showing a £118m increase in value.
Page 14	Balance Sheet	Why have the council’s intangible assets reduced from 767 in 2015/16 to 488 in 2016/17?	This reflects the depreciation charge for the year as these assets are written down over a short period of time depending on the nature of the software acquired.
Page 14	Balance Sheet	What is the reason for the increase in Long Term Debtors from 20,393 to 28,437?	The analysis is provided at Note 25b and mainly arises from the increase in loans made to small business via the DEGF
Page 14	Balance Sheet	Why have the Assets Held for Sale more than doubled from 3,550 to 8,458?	This is as the result of the Council’s property rationalisation programme to dispose of assets no longer required by the Council.
Page 14	Balance Sheet	What is the reason for the dramatic increase in Short Term Investments from 3,202 to 38,322?	This is offset by a corresponding reduction in Cash and Cash Equivalents and is the result of seeking higher returns from cash balances
Page 14	Balance Sheet	Why have Cash and Cash Equivalents Halved from	See above

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		67,601 to 33,087?	
Page 14	Balance Sheet	Why has there been an increase in long term borrowing from (337,601) to (361,857) and what was this for?	Note 22 provides further analysis and indicates the movement arises from an increase in long term loans offset by a reduction in Transferred Debt (County Council loans).
Page 14	Balance Sheet	What are the Other Long Term Liabilities that have increased from (350,071) to (386,865)?	This is the Pension Fund liability, as referred to above, and is the result of the annual reporting of the difference between the Pension Assets (mainly investments) and its liabilities (to pay pensions)
Page 14	Balance Sheet	What are the reasons for the increase in Long Term Liabilities from (817,608) to (876,407), how has the issues in the previous 2 questions contributed to this, what are the long term liabilities, and what level of risk do they present to the council?	The changes above provide an explanation of the major changes between the total balance of Long Term Liabilities and further analysis is provided in the associated notes.
Page 14	Balance Sheet	Why have net assets increased from 462,550 to 498,272 and what are the assets that have led to this increase?	As indicated above, the major increase arises from increased valuation in Council Houses offset by increases in pension liabilities, borrowings and reduction in short term creditors.
Page 14	Balance Sheet	What are the reasons for the changes in usable reserves from (182,477) to (202,133) and how does this impact the council's overall financial position?	This reflects the improvement in the Council's overall financial security and is the result of the increased MRP adjustment, Increased School Balances and PFI Reserves as set out in note 30.
Page 15	Comprehensive Income and Expenditure Statement	What does income appear to be less than expenditure? Does that mean a loss was made as the "Net" column appears to note a net gain? Does this table show an overall deficit of (35,722) between comprehensive (income) and expenditure? Please explain?	This arises from the way the CEIS is split and the need to refer to the reconciliation in the Narrative Statements on page 4. The Net column above cost of Services excludes Council Tax and Business Rates but includes revaluation costs relevant to services. Overall, after all adjustments, the CEIS reflects a surplus of £35m. Remember ()'s mean positive in the I&E, Liabilities in the balance sheet
Page 17	Cash Flow Statement	Why is there significantly less net cash flows and cash and cash equivalents between 2015/16 and 2016/17? (50, 239 and 67,601 vs 22,693 and 33.087 respectively.	These represent the adjustments required to remove non-cash items such as depreciation and revaluations to report Net Cash Flows then in the lower half reflects the movement cash held at the year end by placing cash in deposit accounts to increase returns.
Pages 18	Expenditure and funding	Why are there significant differences between the	This is the result of the disclosure requirement of the new

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and 19	analysis	cost of services with regards to the “Adjustments between the Funding and Accounting basis” (50,838 vs 79,000) between 2015/16 and 2016/17 and the “(Surplus) or Deficit on Provision of Services” for each category between these 2 years as well?	Statement of Reporting Practice. The EFA is compliant with the standard but in my view adds little to the understanding of the accounts . There is a defined process to prepare this schedule which we have followed but I have no real idea if this is a meaningful analysis.
Page 19	Note 1a	Why is there such a difference between the amounts detailed n the row related to the “Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Service” between 2015/16 and 2016/17?	Please see my response above, this is a new reporting requirement and while compliant with the requirements of the standard, in my view, it causes more confusion than clarity.
Pages 62 to 65	Note 15	What are the reasons for the changes in the Movements on Balance for Property, Plant and Equipment between 2015/16 and 2016/17.	As described above , the main change arises for the valuation methodology for Council Dwellings which changed for 2016/17.
Page 69	Note 19	Why has the value for “Increase (decrease) in capital financing requirement” changed substantially between 2015/16 and 2016/17 (6301 vs (2915))?	The main reason is the reduction in the “need to borrow” from £10.4m to £1.5m as a result of not meeting the planned level of capital expenditure (as reported in the Outturn report 2016/17)
Page 86	Note 25b	Why has the amount of non-current debtors increased between 2015/16 and 2016/17 (20, 393 vs 28, 437).	This reflects the amount of loans provided to SME’s through the DEGF and includes the £6.0m advanced to EPM Technology amongst others
Page 89	Note 30	Why have the usable and other reserves increased between 2015/16 and 2016/17? What additional payments have been made to allow this? How are they expected to be allocated? ((182,477) vs (202,133) or Usable Reserves.)	This mainly reflects the increase in ring-fenced reserves – HRA £13m, Capital reserves £9m, PFI reserves £4m, School balances £3m – amounting to £28m
Page 91	Note 32	What is the reason for the changes in the Unusable Reserves between 2015/16 and 2016/17 ((280,073) vs (296,139))? In particular why has the Revaluation Reserve (Note 32a) substantially changed? I thought the revaluation issue had already been addressed in the 2016/17 accounts.	This mainly the result of the increased valuation of social housing dwellings as a result of the change in valuation methodology determined by Government – net £122m and other upward values on other property assets offset by increased pension provisions £64m. The remainder reflects the movement n the Capital Adjustment Account in respect of depreciation and other movements between Local Authority accounting and International

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			Reporting Standards.
Page 97	Note 35	How has the number of employees earning £50,000 or more increased from 176 in 2015/16 to 193 in 2016/17? How does this square with the council administration's claim about the need to cut services as apparently no money is available?	I have referred this question to the Director of Governance who is currently responsible for Personnel matters.
Page 111	Operational Housing Revenue Account (HRA) Assets	What is the reason for the increase in operational assets from 396,511 in 2015/16 to 518,507 in 2016/17? Is this increase anything to do with recent property valuations issue experience for the 2015/16 accounts?	This is mainly due to the increase in the value of Social Housing assets due to change in valuation basis set by central government giving rise to an net increase in the year end value of £122m
Page 116	The Collection fund	Why are there substantial differences between the write offs, increase/decrease in bad debt and appeals provision in the Charges to the collection fund between 2015/16 and 2016/17?	This reflects a major review as to the collectability of "old debt (over three years old) and its subsequent write-off. This was presented to Executive Scrutiny as a result of their challenge.
Page 116	The Collection fund	What are the reasons for the substantial; changes in the (surplus)/deficit at the end of the year for the transfer of previous years estimated surplus and the share of the collection fund between 2015/16 and 2016/17?	The Council received a large number of appeals from businesses in respect of business rate charges toward the year end. Regulations in respect of appeals, has since been revised by Government to prevent speculative appeals from businesses.
Page 120	Group Accounts	What is the reason for the changes in the total amounts in the Group Comprehensive Income and Expenditure Statement of (72,771) in 2015/16 and (33,411) in 2016/17?	This is mainly due to the increase in the value of Social Housing assets due to change in valuation basis set by central government giving rise to an increase in the year end value of £167m offset by Pension provisions of £50m and other changes noted in the final question
Page 123	Group Cash Flow Statement	Why has the Cash and cash equivalents at the end of the reporting period changed from 74,665 in 2015/16 to 40,552 in 2016/17?	£35m (£38.3m less ££.2m) is reflected in short term investments at the end of 2016/17 rather than as cash (2015/16)
Pages 127 and 128	Expenditure and Income Analysed by Nature	Why has the figure for the surplus or deficit on the provision of services changed from 9,557 in 2015/16 to 79,796 in 2016/17?	This arises mainly from the increased cost of Peoples directorate and other operating expenditure (see note 10 of the Council's accounts) form the loss on disposal of non current assets £22m