

Subject:	Audited Statement of Accounts 2017/18		
Date of Meeting:	24 July 2018		
Report of:	Executive Director, Finance & Resources		
Contact Officer:	Name:	Nigel Manvell	Tel: 01273 293104
	Email:	nigel.manvell@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 This report provides information about the audit of the council's 2017/18 Statement of Accounts and recommends approval of the 2017/18 audited accounts and the Letter of Representation on behalf of the council. The report accompanies the Annual Governance Statement which is to be considered as a separate item on the Committee agenda.
- 1.2 Under the Accounts and Audit Regulations 2015, the council's accounts for 2017/18 must be approved by Members by the 31 July 2018. Under the council's Constitution, the Audit & Standards Committee is charged with this responsibility.
- 1.3 The council's current external auditors (EY) are required to give assurance that the accounts are free from material misstatement and to report significant matters arising from the audit. EY will be presenting their findings to this Committee through the Audit Results Report (ARR) elsewhere on this agenda, after which they will be able to issue their audit opinion and the accounts will be published.
- 1.4 This report presents the updated 2017/18 accounts following the outcome of the audit process. It outlines any amendments made to the accounts and provides assurances in relation to the preparation of the accounts. It also informs the committee of the outcome of the public inspection of the accounts. Copies of the final accounts are available in the Members' rooms.

2. RECOMMENDATIONS:

That the Audit & Standards Committee:

- 2.1 Notes the findings of the auditor (EY) in their Audit Results Report (ARR). The ARR is a separate item on this agenda.
- 2.2 Notes the results of the public inspection of the accounts (Section 5).
- 2.3 Approves the Letter of Representation on behalf of the council (Appendix 1).
- 2.4 Approves the audited Statement of Accounts for 2017/18.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The main legislative requirements relating to the preparation, publication and audit of the council's accounts are contained in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.
- 3.2 It is a requirement that the annual accounts be prepared as soon as practicable after the end of the financial year and considered and approved by a resolution of the committee charged with governance or Full Council by the 31 July. Therefore, the accounts must be published and signed off by the external auditor as soon as reasonably possible after the conclusion of the audit and by the 31 July.

Format of the Accounts

- 3.3 Clearly, local authority accounts are not viewed from a commercial perspective, for example, in terms of an authority's attractiveness for possible merger or acquisition. However, local authorities are viewed in terms of their financial resilience, effective financial management and general viability (going concern). The purpose of the accounts therefore is to provide information to a wide range of stakeholders and the general public about the financial position, financial performance and cash flows of the council and to provide answers to basic questions such as:
- What did the council's services and capital programme cost in 2017/18?
 - Where did the money come from?
 - What does the council own?
 - What commitments and liabilities does the council have and what provisions and reserves has the council set against these?
 - What amounts were due and what was owed at the end of the financial year?
- 3.4 In accordance with the Accounts and Audit Regulations, the accounts include:
- The Narrative report;
 - Statement of responsibilities;
 - The Expenditure and Funding Analysis (EFA);
 - Core financial statements (Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement (MiRS), Balance Sheet and Cash Flow Statement);
 - Supplementary statements (Housing Revenue Account and Collection Fund);
 - Notes to the accounts; and
 - Accounting policies.
- 3.5 The narrative report aims to offer interested parties a more readable guide to the most significant matters reported in the accounts. A brief commentary on the key aspects of the 2017/18 accounts is included in Appendix 2 to this report.
- 3.6 The statements would normally comprise both "Single Entity Accounts", which are in respect of wholly council controlled activities, and "Group Accounts" in respect of activities where the council has a significant interest or share in a subsidiary, associate or joint venture entity. The requirement for the preparation of Group Accounts in 2017/18 has been considered for the Housing Joint

Venture collaborative arrangement with Hyde Housing and it was concluded that there are no material transactions in the 2017/18 financial year that would require Group Accounts. The preparation of Group Accounts in 2018/19 will need to be considered again in this regard.

- 3.7 EY has completed their work on the audit of the accounts and will be reporting their findings separately to this Committee through the Audit Results Report (ARR). Following this report, EY will normally be able to issue their audit opinion and the accounts will be published.

Preparation of the Accounts

- 3.8 The council is required to prepare its accounts on an International Financial Reporting Standards (IFRS) basis in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA); the 2017/18 accounts cover the period 1 April 2017 to 31 March 2018. There has been no deviation from the requirements of the Code and all accounting policies adopted by the council for the 2017/18 accounts are in line with the requirements of the Code.
- 3.9 In response to audit recommendations contained in the external auditor's ARR for 2016/17, the following actions have been carried out as part of the 2017/18 accounts preparation.

2016/17 ARR Recommendation	Action taken for 2017/18
A) Ensure there is rigorous review of the information provided to expert valuers and the information received from the valuer in order to ensure the basis of the valuation provided is appropriate.	Meetings were held between officers from Financial Services, the Estates Team and EY to provide clarity of the audit requirements and process. The Estates team ensured ongoing dialogue throughout the valuations process with expert valuers to ensure the basis of valuations provided was appropriate. More robust processes have been introduced to provide checks and validation of material / unexpected movements in valuations, and explanations were requested from the valuers on such movements.
B) The council should undertake rigorous review of its working papers supporting lease disclosures.	Additional checks have been carried out during the closure of accounts process to ensure appropriate disclosure. Outstanding system extraction issues are currently under review with the system provider.
C) Ensure authorisation controls regarding non-purchase order expenditure are in place and adhered to.	A new procedure for processing non-purchase order payments has been introduced to automate authorisation controls. Spots checks are carried out on expenditure/payments that are still required to be processed manually and checked against authorisation limits.

- 3.10 For 2017/18 there are no significant changes in reporting requirements under the Code of Practice. Accounting policies have been updated for the following:
- The 'Accounting Concepts' accounting policy has been updated for provisions in the Code on the going concern accounting requirements reflecting the economic and statutory environment in which local authorities operate;
 - The Tax Income (Council Tax and Non Domestic Rates) accounting policy has been updated to reflect the Non-Domestic Rate top-up and tariff equalisation resulting in a tariff payment in the 2017/18 financial year, as opposed to top-up in 2016/17;
 - A new Interest in Companies and Other Entities accounting policy has been introduced following consideration of Group Accounts relating to the new Housing Joint Venture collaborative arrangements.
- 3.11 The accounts have been prepared by appropriately qualified and trained council officers who have undertaken appropriate training on the requirements for preparing local government accounts. Finance officers involved in the preparation of the accounts attend regular training and/or workshops to ensure an up to date knowledge and continuous professional development.
- 3.12 Officers have made reference to CIPFA's practitioner's guidance notes, disclosure checklists and other technical guidance in preparing the accounts to ensure compliance with all statutory and other regulatory requirements. Officers have also liaised closely, during the preparation of the accounts, with EY over the proposed accounting treatment of the key changes affecting the 2017/18 accounts.
- 3.13 In preparing the accounts, the council makes a number of critical judgements, accounting estimates and assumptions; the details are disclosed in Note 3 of the accounts.
- 3.14 As part of the accounts preparation process, a full review of the financial statements, notes and critical accounting transactions was undertaken by senior officers within Finance. Following this review, the accounts were then approved by the Chief Finance Officer to be issued for public inspection and audit. Evidence of this review formed part of the working papers produced for EY.
- 3.15 During the accounts audit process, officers liaised closely with EY in respect of audit queries and worked closely to ensure prompt and successful resolution of these queries. During the audit of the 2017/18 accounts, there have been no disputes between council officers and EY in relation to the required amendments to the accounts.

Audit of the Accounts

- 3.16 EY has completed the audit of the council's accounts and reports its findings and recommendations in its Audit Results Report (ARR) which forms a separate item of this Committee's agenda. EY are responsible for:
- Forming an opinion on the financial statements;
 - Forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources.

- 3.17 Compilation of the financial statements relies on data extracted from the financial systems, including those systems which interface into the financial system. It is therefore important for EY to be satisfied that these systems have adequate controls in place so that assurance can be given on the integrity of the information held within them.
- 3.18 During the course of the audit, EY identified one audit difference which has been discussed and agreed with council officers. The audit difference identified has resulted in a downward adjustment of £2.839m to the value of Property, Plant and Equipment on the Balance Sheet, and a corresponding adjustment to the Revaluation Reserve. EY have also identified a number of narrative adjustments to the financial statements which have been amended to aid the clarity of disclosures.
- 3.19 The ARR for 2017/18 states that an unqualified audit opinion is expected to be issued and that the council has proper arrangements in place to secure value for money in its use of resources. EY note that the council has a number of comparatively high cost services but notes that the council has a full understanding of the reasons for this and therefore, in their opinion, this does not adversely affect their value for money conclusion.
- 3.20 As previously reported to this Committee, following appointment by Public Section Audit Appointment Ltd (PSAA), Grant Thornton will conduct the external audit of the council's Statement of Accounts for the 2018/19 financial year. The same auditor has also been allocated to Surrey and East Sussex County Councils with whom the council has entered into a shared service arrangement (Orbis). Similarly, the same auditor has been allocated to South Downs National Park Authority to whom this authority provides contracted services. Having a common auditor will provide opportunities for more efficient year-end closure of accounts and auditing processes.

Annual Governance Statement

- 3.21 It is a requirement that the Annual Governance Statement (AGS) is approved annually with the financial statements. The AGS 2017/18 is to be considered as a separate item on the Committee agenda.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Under the Accounts and Audit Regulations 2015, the council's 2017/18 accounts are to be approved by the Chief Finance Officer by 31 May and following the audit process are to be approved by Members by 31 July each year. Under Brighton & Hove City Council's constitution, the Audit & Standards Committee is charged with this responsibility.
- 4.2 After the accounts have been made available for public inspection, alterations to the accounts may only be made with the consent of the external auditor, EY. The alterations in this case have received their consent.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Members of the public, in accordance with the Accounts and Audit Regulations 2015, are granted access for a period of 30 working days to the council's unaudited accounts and are invited to enquire on any aspect of these accounts. If a member of the public is not satisfied with the response received, they are able to lodge a formal objection to the accounts with EY.
- 5.2 The accounts were available for public inspection in council offices or on the council's web site from 1 June to 12 July. The council did not receive any enquires as part of the public inspection process.

6. CONCLUSION

- 6.1 It is a statutory requirement of the Accounts and Audit Regulations 2015 that the council's 2017/18 accounts should be approved by Members by the 31 July 2018 and published by the same date.
- 6.2 EY have carried out their audit of the 2017/18 accounts and have reported their findings and recommendations arising from the audit of the accounts as a separate item on this agenda. The main changes resulting from the audit are included in the Audit Results Report to ensure members are aware of the changes to the accounts agreed with EY prior to their approval.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The financial implications are included in the body of the report.

Finance Officer Consulted: Steven Bedford

Date: 10/07/18

Legal Implications:

- 7.2 The legal framework for approving the council's statement of accounts is provided by regulation 9 of the Accounts and Audit Regulations 2015 (statutory instrument 2015/234), relevant details of which are set out in the body of the report.
- 7.3 The Regulations permit either Full Council or a committee of the council to approve the statement of accounts. At Brighton & Hove Council, the Audit & Standards Committee is the designated committee for this purpose.

Lawyer Consulted: Victoria Simpson

Date: 10/07/18

Equalities Implications:

- 7.4 There are no equalities implications arising directly from this report. The accounts are a statutory publication and were made available for public inspection at the council's main offices and on the council's website. Information on the accounts will, as far as possible, be provided in a manner that meets the needs of those requesting information.

Sustainability Implications:

- 7.5 There are no direct environmental implications arising from this report. However, it is believed that the reputation of the council's financial control framework and its ability to demonstrate sound financial management could have an impact on the willingness of other funding partners to invest in and with the council. This could affect the level of inward investment in respect of projects that contribute towards sustainability.

Any Other Significant Implications:

- 7.6 The quality of a public authority's accounts is of reputational importance and where the auditor gives an unqualified opinion, citizens, partners and other stakeholders can be assured that the accounts present fairly the financial position of the council.

SUPPORTING DOCUMENTATION

Appendices:

1. Letter of Representations
2. Commentary on the Accounts
3. Statement of Accounts (copy circulated to Members and published to the council website alongside the agenda)

Documents in Members' Rooms

1. None

Background Documents

1. Unaudited Statement of Accounts 2017/18 (available for public inspection on the council's web site).



Democratic Services
Hove Town Hall
Norton Road
Hove BN3 3BQ

Letter of Representations:

Paul King
Ernst & Young LLP
Wessex House,
19 Threefield Lane,
Southampton,
SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of Brighton & Hove City Council ("the Council") for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of Brighton & Hove City Council's financial position as of 31 March 2018 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. FINANCIAL STATEMENTS AND FINANCIAL RECORDS

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18¹.
2. We acknowledge, as members of the management and governance of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority

¹ ISA (UK) 580.10

Accounting in the United Kingdom 2017/18. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management and governance of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, that are free from material misstatement, whether due to fraud or error.²
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. NON-COMPLIANCE WITH LAW AND REGULATIONS, INCLUDING FRAUD

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.³
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.⁴
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.⁵

² ISA (UK) 210.6(b)(ii)

³ ISA (UK) 240.39(a)

⁴ ISA (UK) 240.39(b)

C. INFORMATION PROVIDED AND COMPLETENESS OF INFORMATION AND TRANSACTIONS

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.⁶
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.⁷
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the 2017/18 to the most recent meeting on 19 July 2018.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.⁸
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.⁹
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

⁵ ISA (UK) 240.39(c),(d), and ISA (UK) 250A.16

⁶ ISA (UK) 580.11(a), ISA (UK) 210.6(b)(iii)

⁷ ISA (UK) 580.11(b)

⁸ ISA (UK) 550.26

⁹ ISA (UK) 540.22

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.¹⁰
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 17 to the financial statements all guarantees that we have given to third parties.¹¹

E. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.¹²

F. Other information¹³

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement and narrative elements of the Statement of Accounts.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

H. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to value Property, Plant & Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

J. Estimates

¹⁰ ISA (UK) 501.12

¹¹ ISA (UK) 501.12

¹² ISA (UK) 560.9

¹³ Other information is financial and non-financial information (other than the financial statements and the auditor's report thereon) included in an entity's annual report.

1. We confirm that the significant assumptions used in making the accounting estimates, including those measured at fair value, are reasonable.
2. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the applicable financial reporting framework.

K. Retirement benefits¹⁴

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

David Kuenssberg
Executive Director, Finance & Resources

Dated: 24 July 2018

I confirm that this letter has been discussed and agreed at the Audit & Standards Committee on 24 July 2018.

Councillor Joe Miller
Chair of Audit & Standards Committee

Dated: 24 July 2018

¹⁴ Suggested by APB PN22, para 81

Commentary on the Accounts

Balance Sheet (BS)

The Balance Sheet is particularly technical, which is unavoidable given the requirement to observe the Code of Practice and the complex capital accounting, financial instrument and pension reporting standards. There are explanatory notes to the Balance Sheet in the Statement of Accounts.

Non Current Assets

Total non current assets (including current assets held for sale) have increased from £1,968.258 million as at 31 March 2017 to £1,996.910 million as at 31 March 2018. The in-year movement in non-current assets is detailed in note 8 to the core financial statements. It should be noted that the valuation of many non-current assets is subject to a wide range of market factors and/or assumptions, particularly where no obvious comparator market or assets exist. The movement of £28.625 million includes the following:

- An increase of £71.575 million in respect of capital expenditure incurred on Property, Plant & Equipment (PPE), heritage assets and intangible assets which reflects the significant capital investments made;
- PPE and heritage assets upward revaluation transactions of £87.805 million;
- Depreciation, impairment and revaluation losses transactions of £123.166 million;
- Upward movement in the fair value of investment properties of £3.220 million;
- Disposal of non-current assets of £10.809 million.

Borrowing

In accordance with the CIPFA Code on Treasury Management, the management of the council's borrowing portfolio is based on a consolidated approach and not by individual services. At 31 March 2018, the council's level of borrowing (including the bank overdraft) was £271.242 million, an increase in the year of £6.261 million. The council has raised new loans of £5.483 million and repaid £1.967 million during 2017/18. Note 10 to the accounts provides further information on borrowings.

Investments

At 31 March 2018, the council held investments of £134.612 million. Investments are made by the in-house treasury team and the council's external cash manager. The council uses an external cash manager to take advantage of investment opportunities in specialist markets not covered by the in-house team, such as government stock.

The level of investment has increased in-year by £45.173 million. The council has placed short term investments of £638.450 million during 2017/18 (including cash equivalents of £530.450 million) and has realised cash from the maturity of short term investments of £598.333 million (including cash equivalents of £519.950 million). Note 10 to the financial statements provides further information on investments.

Pension Liability

The estimated pension liability (net of pension assets) for future pension payments increased in 2017/18 by £2.322 million from £254.897 million at 31 March 2017 to £257.219 million at 31 March 2018.

There are a number of contributory factors to the increase in the pension liability; these are detailed in the Pensions Liability section of the Narrative Report.

The council also recognises a reserve for the estimated net pension liability. Therefore, amounts included in the council's accounts in relation to post employment benefits have no effect on the council tax requirement as the liability is offset by a Pensions Reserve.

Details of the Pension Liability can be found in note 23 to the financial statements.

Provisions

Provisions have been made in the accounts for liabilities existing at the 31 March 2018 that are reasonably certain and can be estimated with reasonable accuracy. Significant provisions are included for the following:

- Accumulated Absences – The council is required to make provision for accumulated compensated absences (e.g. annual leave and 'flexi' leave entitlements) that are carried forward for use in future periods if the current period's entitlements are not used in full. The provision as at 31 March 2018 is £3.675 million.
- Voluntary Severance provision – The council has made provision in the 2017/18 accounts to meet the costs of expected severance packages resulting from a review of the staffing impacts of approved savings. The provision as at 31 March 2018 is £0.422 million.
- Business Rates Appeals provision - The council has made provision for its share of the amount that it anticipates to repay ratepayers in the future following successful appeals against the rating lists. The provision as at 31 March 2018 is £4.417 million.

Reserves

The council holds two categories of reserves:

- Unusable Reserves – these reserves derive from accounting adjustments and are not available to the council to use to provide services. They include reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold. It also includes reserves for timing differences between what is required from a statutory accounting perspective to be charged to the General Fund and HRA balance and what is required to be funded from council tax, locally retained non domestic rates and general grants. These reserves include the revaluation reserve, pension reserve and the capital adjustment account. The level of unusable reserves as at 31 March 2018 was £1,422.865 million. Note 6 to the accounts provides further information on unusable reserves.
- Usable Reserves – these reserves can be used by the council to provide services and/or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. These reserves include the General Fund and HRA working balance, general reserves, capital reserves relating to capital receipts and capital grants received which have not yet been utilised and specific reserves which have been set aside by the council for specified purposes.

The level of General Fund working balance and general reserves held at 31 March 2018 was £10.928 million. The level of working balance and general reserves deemed appropriate by the council's Chief Finance Officer is £9 million, approximately 4% of net budget or 4 weeks council tax income. In addition, there are also General Fund earmarked reserves of £37.813 million as at 31 March 2018.

The level of HRA working balance stands at £7.753 million as at 31 March 2018, which is in excess of the recommended minimum level of balances of £3 million. In

addition, there are also HRA earmarked reserves of £1.069 million as at 31 March 2018. The HRA reserves are primarily ring-fenced for council dwelling provision.

Notes 5 and 7 to the accounts provide further information on usable reserves.

Usable reserves and provisions are reviewed during the budget setting and the accounts closure processes to ensure that there is both the ongoing requirement for funds to be set aside and that the levels are adequate and appropriate.

Collection Fund

The Collection Fund is a separate fund recording the expenditure and income relating to council tax and non-domestic rates.

As at 31 March 2018, there was a surplus of £2.836 million on the Collection Fund in respect of council tax and a deficit of £3.770 million in respect of non-domestic business rates.

