

Subject:	Audited Statement of Accounts 2016/17		
Date of Meeting:	25 July 2017		
Report of:	Executive Director of Finance & Resources		
Contact Officer:	Name:	Nigel Manvell	Tel: 29-3104
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Ward(s) affected:	All		

FOR GENERAL RELEASE.

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that final calculations on the values of the land non-current assets were being completed.

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report provides information about the audit of the council's 2015/16 Statement of Accounts and recommends approval of the 2015/16 audited accounts and the Letter of Representation on behalf of the council. It also provides information about the Annual Governance Statement.
- 1.2 Under the Accounts and Audit Regulations 2015, the council's accounts for 2015/16 must be approved by Members by the 30 September 2016. Under the council's constitution, the Audit & Standards Committee is charged with this responsibility.
- 1.3 The council's 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 revised 2015/16 accounts following the audit. It outlines the amendments made to the accounts since they were presented to the June committee 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 revised accounts are available in the Members' rooms.

2. RECOMMENDATIONS:

That the Audit & Standards Committee:

- 2.1 Notes the findings of EY in their Audit Results Report (ARR). The ARR is a separate item on this agenda.

- 2.2 Notes the outcome of the ongoing work on the valuation of property, plant and equipment and any related misstatement / adjustment to the 2015/16 accounts (paragraph 3.19 and Appendix 4).
- 2.3 Notes the results of the public inspection of the accounts (Section 9).
- 2.4 Approves the Letter of Representation on behalf of the council (Appendix 1).
- 2.5 Approves the audited Statement of Accounts for 2015/16.
- 2.6 Note the Annual Governance Statement (Appendix 5).

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 30 September. 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 30 September.

Format of the Accounts

- 3.4 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 whole 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 2015/16?
 - Where did the money come from?
 - What does the council own?
 - What commitments 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?
- 3.5 In accordance with the Accounts and Audit Regulations, the accounts include:
 - The Narrative report;
 - Statement of responsibilities;
 - Core financial statements (Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement);
 - Supplementary statements (Housing Revenue Account and Collection Fund);
 - Notes to the accounts; and,
 - Accounting policies.
- 3.6 The narrative report aims to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. A brief

commentary on these key aspects of the 2015/16 accounts is included in Appendix 3 to this report.

- 3.7 The statement 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. However, there are no activities requiring the preparation of Group Accounts in 2015/16.
- 3.8 EY has completed their work on the audit of the accounts and will be reporting their findings to this Committee through the ARR. Following this report, EY will be able to issue their audit opinion and the accounts will be published.

Preparation of the Accounts

- 3.9 As reported to the June committee, 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 2015/16 accounts cover the period 1 April 2015 to 31 March 2016. There has been no deviation from the requirements of the Code and all accounting policies adopted by the council for the 2015/16 accounts are in line with the requirements of the Code.
- 3.10 As reported to the June Committee, there have been two key changes in the 2015/16 accounts:
- the council has fully adopted the new accounting standard IFRS 13 relating to fair value measurement;
 - the Accounts and Audit Regulations 2015 have introduced a new requirement for category 1 authorities, such as this council, to prepare a narrative statement (report).

More detail of these key changes are included in Appendix 2 to this report.

- 3.11 The accounts have been prepared by appropriately qualified and trained council officers who have undertaken extensive training on the requirements for preparing local government accounts. Finance officers who are involved in the preparation of the accounts attend regular training 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 2015/16 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 to 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 2015/16 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 their Audit Results Report (ARR) forms part 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 a number of audit differences which have been discussed and agreed with council officers and amendments have been made to the financial statements for all identified differences. These differences are below EY's reporting level of £0.836 million).
- 3.19 EY identified one material audit difference in respect of the valuation of property, plant and equipment and in particular the land assets valued using the depreciated replacement cost (DRC) methodology.. The accounts have been amended for this audit difference. Appendix 4 provides further details on this amendment.
- 3.20 The ARR for 2015/16 states that an unqualified audit opinion will be issued and that the council has proper arrangements in place to secure value for money in its use of resources. EY have made three specific recommendations in relation to bank reconciliations, leases and non purchase orders detailed in the ARR which will be implemented for 2016/17.

Annual Governance Statement

- 3.21 Following the approval of the Annual Governance Statement on the 21 June 2016, there have been no changes to this document. The Annual Governance Statement is attached at Appendix 5.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Under the Accounts and Audit Regulations 2015, the council's 2015/16 accounts are to be approved by the Chief Finance Officer by 30 June and following the audit process are to be approved by Members by 30 September 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 council received enquiries from five members of the public. These enquiries encompassed many areas of the accounts. Responses to the queries have been compiled and sent.
- 5.3 One objection to the accounts was received from a member of the public. The objection asks whether Lender Option Borrower Option (LOBO) loans that the council entered into represent value for money. Officers are aware that this is a common enquiry being made of many authorities following recent media coverage. EY have been able to conclude that the objection raised does not have an impact on their financial statement opinion. This is because they do not believe that it represents a risk of material misstatement in relation to items in the 2015/16 statement of accounts. The external auditor is currently examining the substance of the objection and will respond to the objection in due course.

6. CONCLUSION

- 6.1 It is a statutory requirement of the Accounts and Audit Regulations 2015 that the council's 2015/16 accounts should be approved by Members by the 30 September 2016 and published by the same date.
- 6.2 EY have carried out their audit of the 2015/16 accounts and have reported their findings and recommendations arising from the audit of the accounts as a separate item on this agenda.
- 6.3 The main changes resulting from the audit are included in this report to ensure members are aware of the changes to the accounts agreed with EY prior to the approval of the accounts.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

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

Finance Officer Consulted: James Hengeveld

Date: 14/09/16

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. As noted in the report, in Brighton & Hove it is the Audit & Standards Committee which fulfils this statutory role.

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 Representation
2. Summary of the main changes for the 2015/16 accounting period
3. Commentary on the Accounts
4. Details of ongoing work on property, plant and equipment valuations
5. Annual Governance Statement

Documents in Members' Rooms

1. Statement of Accounts

Background Documents

None

Letter of Representation:

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

This letter of representation is provided in connection with your audit of the financial statements of Brighton & Hove City Council (“the council”) for the year ended 31 March 2016. 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 the financial position of Brighton & Hove City Council as of 31 March 2016 and of its expenditure and income for the year then ended in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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 2015/16.
2. We acknowledge, 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, and of its expenditure and income of the council in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free of material misstatements, including omissions. 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. 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 2015/16 that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. 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.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. 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 as agreed in terms of the audit engagement.
 - 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.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
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 year to the most recent meeting.
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 year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. 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.

E. 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.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than described in Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. For accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H Retirement benefits

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.

I. Comparative information – corresponding financial information

1. Prior year adjustments have only been included in the financial statements to correct material prior year errors.

J. Use of the Work of an Expert

1. We agree with the findings of the experts engaged to evaluate the valuation of property, plant and equipment, and the pension fund liability and have adequately considered the qualifications of the experts 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 experts 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 experts.

Yours Faithfully,

David Kuenssberg
Executive Director, Finance & Resources

Dated:

I confirm that this letter has been discussed and agreed at the Audit & Standards Committee on 27 September 2016

Councillor Ann Norman
Chair of Audit & Standards Committee

Dated:

Summary of the main changes for the 2015/16 accounting period

IFRS 13 Fair Value Measurement

The council has fully adopted the new accounting standard IFRS 13 in respect of the fair value measurement of non financial assets and financial assets and liabilities (i.e. financial instruments). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In adopting IFRS 13 for local authorities, the Code has introduced the concept and definition of current value for the measurement of property, plant and equipment (PPE). This concept requires the council to measure the service potential and thus operating capacity used to deliver local authority goods and services through PPE assets. This means that the measurement requirements of operational PPE has not changed from the 2014/15 accounts. However the Code requires that non operational PPE classified as surplus assets are measured at fair value (estimated at highest and best use from a market participant's perspective). Investment property is also required to be measured at fair value.

In respect of financial instruments, the council's available for sale financial assets are held at fair value; all other financial assets and liabilities are carried at amortised cost.

In addition to ensuring that relevant assets and liabilities have been measured at fair value in accordance with the Code, the council is required to make enhanced disclosures under the fair value framework.

Narrative Statement (report)

The Accounts and Audit Regulations 2015 have introduced a new requirement for category 1 authorities, such as this council, to prepare a narrative statement (report) which must include comment by the council on its financial performance and its arrangements for securing economy, efficiency and effectiveness in its use of resources over the financial year. In order to meet the new requirements, the Code recommends that the narrative statement should provide an analysis of the development and performance of the council in the financial year and its position at the end of the year together with an analysis of the financial and non financial performance indicators as relevant to the performance of the authority. In essence, the new narrative report has replaced the explanatory foreword and has been enhanced to include new information, such as performance indicators and the direction of travel / strategic approach for the council, in order to meet the new requirements.

Review of Accounting Policies

As part of the 2015/16 accounts closure process, officers have undertaken a significant review of the accounting policies for the accounts with the aim of streamlining them. Although much shortened, the review has not resulted in any fundamental changes to the council's accounting policies.

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 decreased from £2,292.610 million as at 31 March 2015 to £1,878.062 million as at 31 March 2016. The in-year movement in non current assets is detailed in note 9 to the core financial statements. The movement of £414.548 million includes the following:

- An increase of £73.201 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 £154.957 million;
- Depreciation, impairment and revaluation losses transactions of £631.405 million;
- Upward movement in the fair value of investment properties of £2.005 million;
- Disposal of non-current assets of £12.152 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 2016, the council's level of borrowing (including the bank overdraft) was £247.070 million, an increase in the year of £27.734 million which includes a net increase of £20.037 million toward the construction of the i360. The council has raised new loans of £35.573 million and repaid £7.188 million during 2015/16. Note 11 to the accounts provides further information on borrowings.

Investments

At 31 March 2016, the council held investments of £79.837 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 £9.859 million. The council has placed new short term investments of £531.906 million in 2015/16 (including cash equivalents of £456.206 million) and has realised cash from the maturity of short term investments of £522.342 million (including cash equivalents of £469.642 million). Note 11 to the financial statements provides further information on investments.

Pension Liability

The estimated pension liability (net of pension assets) for future pension payments decreased in 2015/16 by £92.243 million from £362.522 million at 31 March 2015 to £270.279 million at 31 March 2016.

There are a number of contributory factors to the significant decrease 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 24 to the financial statements.

Provisions

Provisions have been made in the accounts for liabilities existing at the 31 March 2016 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 2016 is £3.022 million.
- Voluntary Severance Scheme Provision – The council has made provision in the 2015/16 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 2016 is £1.321 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 2016 is £2.127 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 and reserves that hold 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 2016 was £1,202.619 million. Note 7 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 specific purposes.

The level of General Fund working balance and general reserves held at 31 March 2016 was £12.728 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; the balance of funds held at 31 March 2016 has already been committed by the council. In addition, there are also General Fund earmarked reserves of £38.876 million as at 31 March 2016.

The level of HRA working balance stands at £6.214 million as at 31 March 2016, which is in excess of the recommended minimum level of balances of £3 million. In addition, there are also HRA earmarked reserves of £2.338 million as at 31 March 2016. The HRA reserves are ring fenced for council dwelling provision.

Notes 6 and 8 to the accounts provide further information on usable reserves.

Usable reserves and provisions are reviewed during budget setting and the accounts closure to ensure that there is both the ongoing requirement for funds to be set aside and that the levels are 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 2016, there was a surplus of £ 2.676 million on the Collection Fund in respect of council tax and a deficit of £3.601 million in respect of non domestic rates.

Details of the material adjustment in respect of property, plant and equipment valuations

The valuation of property, plant and equipment was highlighted as a significant risk in EY's audit plan for the 2015/16 financial statements, additionally there was a reduction of approximately £500m within the draft unaudited statements. The assets which had reduced most significantly were those which had been valued under depreciated replacement cost (DRC) valuation methodology by Montagu Evans (ME).

EY's response to this (both the reduction and significant risk) was to commission their own internal expert to review the work of ME to give assurance that the reduction in valuations were real and compliant with accounting standards and the Code. Following some concerns regarding the assumptions made by ME being raised by EY's internal expert, the council was requested to perform additional work to confirm that the assumptions and data used by ME were reasonable and that the valuations were materially correct. This additional work provided EY with sufficient assurance that the building valuations were materially correct..

However, the original land valuations appeared to utilise a standardised land value per hectare for all assets regardless of geographical location. EY requested the council to consider a selected sample of asset valuations and confirm whether the land value per hectare was reasonable for each property location taking into account fluctuations across the City.

In liaison with ME, the council have revisited the assumptions made in the original land valuations and both the council and ME have agreed an alternative approach which gives greater recognition of the differential values across areas of the city. This resulted in revised valuations being calculated which has led to an increase of £92.221m in the valuations for the land assets on the council's Balance Sheet compared to the draft unaudited statements.