

# **GOVERNANCE COMMITTEE**

**19 SEPTEMBER 2017**

## **REPORT OF CORPORATE DIRECTOR**

### **STATEMENT OF ACCOUNTS 2016-17**

#### **1.0 THE PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to submit the Statement of Accounts for 2016-17 for approval which have been prepared in accordance with the Accounts and Audit Regulations 2015 and inform the Committee of the key issues within the accounts.

#### **2.0 RECOMMENDATIONS**

**It is recommended that:**

- 2.1 **The Statement of Accounts for 2016-17 be approved and signed by the Chairperson.**

#### **3.0 BACKGROUND**

- 3.1 The Accounts and Audit Regulations 2015 (the Regulations) require a Statement of Accounts to be produced and approved by the appropriate committee. For the financial year 2016-17 this approval must be by 30 September 2017 although it is considered to be good practice to submit these as early as possible. It is still a requirement of the regulations that the unaudited accounts have to be signed off by the Section 151 Officer by 30 June 2017. The accounts must be published by 30 September 2017 and were available for public inspection for a 30 day period which included the first 10 days in July.

- 3.2 The format of the accounts is largely governed by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) guidance notes produced for Local Authority Accounts by the Chartered Institute of Public Finance & Accountancy (CIPFA).

- 3.3 The Regulations require the person presiding at the Governance committee at which the accounts are approved in September to sign and date the Statement of Accounts.

#### **3.4 FUTURE CONSIDERATIONS**

- 3.4.1 The Local Audit & Accountability Act 2014 requires that Local Authorities publish an audited copy of their statement of accounts by 31 July from 2017-18 instead of the current date of 30 September. This therefore requires authorities to sign off the unaudited accounts by 31 May instead of 30 June. Before the need to make a number of prior period adjustments, we again achieved the accounts availability for sign-off before 31 May 2017 in this, the final “dry-run” year.

- 3.4.2 There is still work to do to ensure this early closedown is achieved every year and it will continue to be necessary to rely on the increased use of estimates in the final accounts, this has two potential consequences;

- That there will be an increase in the amount of post-audit amendments; and
- That there will be a knock-on effect into the following financial year if estimates of accruals are not as accurate.

3.5 In regard to this earlier closedown, Governance committee will be required to approve the audited Statements towards the end of July from 2018 instead of September as now.

#### 4.0 **KEY ISSUES**

4.1 The Statement of Accounts essentially shows the year end revenue and capital position in a prescribed format as required by the Code. A report considering the General Fund (GF) and Housing Revenue Account (HRA) position in comparison to the budget was reported to PFA on 11 July 2017. The provisional HRA year end position was also reported to a meeting of the CSA committee on 21 June 2017. Key points to note in relation to the Balance Sheet summarising the Council's assets and liabilities at the 31 March 2017 are set out in the following paragraphs. Following the audit of the accounts some changes were made, but the figures are substantially the same as those reported to the PFA on 11 July. The external auditor's report referencing these accounts are elsewhere on the committee's agenda.

#### 4.2 **REVENUE AND CAPITAL ACCOUNTS**

The service classification within the Comprehensive Income and Expenditure Statement (shown on page 3 of the Statement of Accounts) is now presented in line with the Council's organisational structure, under which it operates and manages its services. In addition to the controllable costs reported to the Council's committees the expenditure must also include the appropriate charges for the use of non-current assets and the appropriate employee benefit accrued costs.

#### 4.3 **NARRATIVE STATEMENT**

The narrative statement provided separately to the Statement of Accounts compares the final year end position against the original budget approved in February 2016.

The Council must prepare a narrative statement to include a comment on its financial performance and its economy, efficiency and effectiveness in its use of resources over the financial year. The narrative statement is attached at Appendix B for information.

#### 4.4 **BALANCE SHEET**

Closer analysis of the Balance Sheet tells us, for example, the Council's position on reserves and whether past capital expenditure is financed or subject to borrowing arrangements, explains whether money owed to the Council exceeds money owed by it and explains what resources the Council has to invest. However, it should be noted that the figures shown in the Balance Sheet are a snapshot taken on one day i.e. 31 March 2017.

##### **Working Balances & Reserves**

- a) The balance on the Corporate Priorities Reserve has reduced from £2,507k at 1 April 2016 to £2,004k at 31 March 2017. The balance on the General Reserve for Special Expenses (MM) for the same period has increased from £236k to £244k. For Special Expenses (MM) the working balance has remained at £50k being its approved level as approved by Full Council in February 2016. For General Expenses the working balance has remained at £640k as approved by the same meeting. The level of reserves will be adjusted in 2017-18 in order to reflect the carry forward of both capital and revenue budget underspends from 2016-17 and the estimated position on the reserves was reported to PFA on 11 July 2017.
- b) The working balance on the HRA has reduced from £1,460k at 1 April 2016 to £1,186k at 31 March 2017. This is in excess of the minimum level of £750k for 2016-17 as recommended in the Council's Medium Term Financial Strategy (MTFS).

## **Capital Financing Requirement**

- a) An analysis of the Balance Sheet allows us to determine whether the actual amount of borrowing during the year for capital purposes is significantly different from the Capital Financing Requirement (CFR). The CFR represents the amount of borrowing required to fund capital expenditure after utilising all other funds available e.g. capital receipts, capital grants, capital and revenue contributions, etc. The following table indicates that the Council's actual borrowing was within the level of the CFR:

<b>Analysis of Balance Sheet</b>	<b>31-Mar-16 £'000</b>	<b>31-Mar-17 £'000</b>
Fixed Assets	97,781	121,684
Less Financing to date	-66,159	-90,074
CFR (Borrowing Requirement)	31,622	31,610
Less Long Term Borrowing	-31,413	-31,413
Under Borrowing	209	197

- b) The net borrowing at the balance sheet date should not exceed the CFR, and at 31 March 2017 was below that figure due to a small amount of internal borrowing (£71k) and the notional set aside amount regarding the registrars (£126k). No new borrowing has been taken out in the year.

## **Debtors and Creditors**

- a) The table below illustrates that there is a significant change to an excess of creditors at 31 March 2017 (money owed by the Council) over debtors (money owed to the Council). For a healthy cash flow position this is the ideal scenario. This therefore shows an increase in performance over the previous year. However, as mentioned above, the figures shown in the Balance Sheet are a snapshot at 31 March. It can be more useful to make comparisons over time hence the previous year's figures are shown. The main reasons for the change in both the short term creditors figure and the short term debtors figure is explained below:

- At 31 March 2017 the Council tax preceptor debtors were reduced by £226k which was due to less income received in the year than estimated and reduced arrears. The Business Rate Retention Scheme preceptor creditor balances were increased by £244k, also due to less income being received in the year than estimated as well as movement to the appeal provision.
- The provision relating to the Council's share of outstanding business rates appeals has decreased by £6k but the introduction of a new provision for redundancies approved but not yet paid has increased the overall provisions by £56k.
- There is a general increase in the figure for capital creditors of £68k and an increase in the sundry creditors (including reserved creditors) of £1,373k. There are a large number of transactions that make up these figures.
- The provision for doubtful debt was increased by £55k, of which £32k can be linked to the introduction of Universal credit and the increasing outstanding rent balances.
- In the mid-year subsidy estimates, the amount of housing benefit subsidy was overstated, while the effect of the introduction of Universal Credit in November, was understated. This has significantly contributed (-£350k) to a large shift in the reserved debtors position (-£878k) at the year end. A large number of other transactions make up the remainder of this figure.
- The remainder is a mixture of smaller movements on other debtor and creditor balances.

<b>Analysis of Balance Sheet</b>	<b>31-Mar-16 £'000</b>	<b>31-Mar-17 £'000</b>
Creditors & Provisions	3,080	4,914
Less:		
Stocks and Work in Progress	0	0
Long Term Debtors	0	0
Short Term Debtors	4,512	3,459
Excess of Debtors over Creditors (-)	-1,432	1,455

### **Cash Resources**

- a) The following table shows that where there have been cash resources available that these have been invested, either internally or externally, in order to both maximise the Council's income from interest receipts or reduce interest paid. The previous year has been included for comparison purposes.

<b>Analysis of Balance Sheet</b>	<b>31-Mar-16 £'000</b>	<b>31-Mar-17 £'000</b>
Cash Resources:		
- Useable Capital Receipts & Contributions	6,116	5,461
- Earmarked Reserves	10,663	11,936
- Balances	2,145	1,873
Funds Available for Investment	18,924	19,270
Excess of Debtors over Creditors	-1,432	1,455
Resources / Cash Available for Investment	17,492	20,725
Cash & Cash Equivalents	17,454	20,668
Excess (-) / Deficit of Investments over Resources	38	57

The Council is continuing, at the Balance Sheet date, to maximise its funds available.

## **5.0 POLICY AND CORPORATE IMPLICATIONS**

- 5.1 The Statement of Accounts is a corporate document. The Statement of Accounts (subject to audit) has been advertised as available for public inspection on the website and the auditors available to answer questions. Now that the audit has been completed the audited accounts, narrative statement and Annual Governance Statement will be available on the Council's website by 30 September and the Statement of Accounts will be available for purchase.

## **6.0 FINANCIAL & OTHER RESOURCE IMPLICATIONS**

- 6.1 There are no further financial and resource implications other than those identified above.

## **7.0 LEGAL IMPLICATIONS/POWERS**

- 7.1 As set out above the requirements covering the arrangements for the production, approval and publication of the Statement of Accounts is governed by the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014.

## **8.0 COMMUNITY SAFETY**

- 8.1 There are no direct community issues arising from this report.

## **9.0 EQUALITIES**

9.1 There are no direct equality issues arising from this report.

## 10.0 **RISKS**

10.1 There is a risk that the accounts will not be signed off by the auditors as a result of errors, however, every effort has been made to ensure the accuracy of the Statements.

## 11.0 **CLIMATE CHANGE**

11.1 There are no climate change issues arising from this report.

## 12.0 **CONSULTATION**

12.1 The Council's external auditors have been consulted in preparing the Statement of Accounts.

12.2 The public are provided with an opportunity to question the auditor on the accounts (see also paragraph 5.1).

## 13.0 **WARDS AFFECTED**

13.1 All wards are indirectly affected.

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Contact Officer:	Carol King
Date:	9 September 2017
Appendices:	Appendix A - Statement of Accounts 2016-17 Appendix B – Narrative Statement
Background Papers:	Final Accounts Working Papers CIPFA Code
Reference:	X: C'tees, Council & Sub-C'tees/Governance/2017-18/19-09-17/DG-Statement of Accounts