

# CORPORATE COMMITTEE

9 JULY 2018

## REPORT OF DIRECTOR FOR CORPORATE SERVICES

### STATEMENT OF ACCOUNTS SUBJECT TO AUDIT 2017-18

#### 1.0 THE PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to submit the Statement of Accounts, Subject to Audit, for 2017-18, 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 Subject to Audit for 2017-18 as attached at Appendix A be noted;**

- 2.2 **The Narrative Statement as attached at Appendix B be noted;**

#### 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 2017-18 this approval must be by 31 July 2018 although it is considered to be good practice to submit these as early as possible. It is also a requirement of the regulations that the unaudited accounts have to be signed off by the Section 151 Officer and published by 31 May 2018, and are available for public inspection for a 30 day period which must include the first 10 days in June. The audited accounts must be published by 31 July 2018.

- 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 on 24 July 2018 to sign and date the Statement of Accounts.

- 3.4 It should be noted that at this time the accounts are still subject to audit and therefore amendments could be required as a result of the auditors' findings, however a verbal update on this position will be made at this meeting.

#### 3.5 ON-GOING CONSIDERATIONS

- 3.5.1 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 previous date of 30 September.

- 3.5.2 In order to achieve this early closedown every year 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.

3.5.3 In readiness for this, the finance team have reviewed their accounts processes to understand how they could change and adapt to meet these new arrangements. The new arrangements were first trialled in 2015-16, successfully meeting the end of May deadline and taking on the learning points for that year, further refining the process in 2016-17 for which again the 31 May target was reached. These years were a big step in the right direction, by setting a stretch target to meet this 31 May deadline in advance of the new statutory timeframe for this year. This should place the Council in a good position as we move forward.

#### 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 is discussed in more detail in a separate report on this committee's agenda. The provisional HRA year end position was also reported to a meeting of the Place Committee on 6 June 2018. Key points to note in relation to the Balance Sheet summarising the Council's assets and liabilities at the 31 March 2018 are set out in the following paragraphs.

#### 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 presented in line with the Council's organisational structure as at 31 March 2018, 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 2017. The revenue and capital position compared to budget is covered in a separate report on this committee's agenda.

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

#### 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 2018.

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

- a) The balance on the Corporate Priorities Reserve has reduced from £2,004k at 1 April 2017 to £1,432k at 31 March 2018. The movements to this reserve are as follows:

<b>Corporate Priorities Reserve</b>	<b>£'000</b>
<b>Balance Brought Forward 31 April 2017</b>	<b>2,004</b>
Contribution to Revenue Account	-284
Contribution to Carry Forward Reserves	-220
Contribution to Spending Pressure Reserve	-138
Contribution from New Homes Bonus	70
<b>Balance Carried Forward 31 March 2018</b>	<b>1,432</b>

- b) The balance on the General Reserve for Special Expenses (MM) for the same period has increased from £244k to £252k. For Special Expenses (MM) the working balance has remained at £50k being its approved level as approved by Full Council in February 2017. For General Expenses the working balance has remained at £640k as approved by the same meeting. The level of reserves will be adjusted in 2018-19 in order to reflect the carry forward of capital budget underspends from 2017-18 and the estimated position on the reserves is covered in a separate report on this committee's agenda. Separate reserves have been set up for the revenue budget carry forwards, as above, so they will no longer cause an adjustment on the Corporate Priorities or Special expenses reserves.
- c) The working balance on the HRA has increased from £1,186k at 1 April 2017 to £1,667k at 31 March 2018. This is in excess of the minimum level of £750k for 2017-18 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-17 £'000</b>	<b>31-Mar-18 £'000</b>
Fixed Assets	121,684	127,825
Less Financing to date	-90,074	-96,227
CFR (Borrowing Requirement)	31,610	31,598
Less Long Term Borrowing	-31,413	-31,413
Under Borrowing	197	185

- b) The net borrowing at the balance sheet date should not exceed the CFR, and at 31 March 2018 was below that figure due to a small amount of internal borrowing (£71k) and the notional set aside amount regarding the registrars (£114k). The Council, as a result of a previous large capital receipt, repaid its General Fund debt and reduced its General Fund CFR, with no new borrowing taken out in the year.

#### **Debtors and Creditors**

- a) The table below illustrates that there is a slightly reduced excess of creditors at 31 March 2018 (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 a slight reduction 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 2018 the Council tax preceptor debtors were reduced by £361k which was due to less current year income received but increased collection on prior years arrears and the write off of uncollectable debt, so reducing arrears. The Business Rate Retention Scheme preceptor creditor balances were increased by £197k, also due to less current year income received and increased collection on previous years arrears and the write off of uncollectable debts, as well as movement to the appeals.
- The provision relating to the Council's share of outstanding business rates appeals has decreased by £34k and the provision for redundancies approved but not yet paid has reduced by £50k.
- There is a general increase in the figure for capital creditors of £11k and a reduction in the sundry creditors (including reserved creditors) of £1,031k. The many transactions that make up these figures include all the Council's miscellaneous creditors.
- The provision for doubtful debt was increased by £312k, of which £169k can be linked to the introduction of Universal credit and the increasing outstanding rent balances.
- The remainder is a mixture of smaller movements on other debtor and creditor balances.

<b>Analysis of Balance Sheet</b>	<b>31-Mar-17 £'000</b>	<b>31-Mar-18 £'000</b>
Creditors & Provisions	4,914	3,826
Less:		
Stocks and Work in Progress	0	0
Long Term Debtors	0	0
Short Term Debtors	3,459	2,637
Excess of Creditors over Debtors	1,455	1,189

### **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-17 £'000</b>	<b>31-Mar-18 £'000</b>
Cash Resources:		
- Useable Capital Receipts & Contributions	5,461	5,126
- Earmarked Reserves	11,936	11,350
- Balances	1,873	2,359
Funds Available for Investment	19,270	18,835
Excess of Creditors over Debtors	1,455	1,189
Resources / Cash Available for Investment	20,725	20,024
Cash & Cash Equivalents	20,668	18,097
Property Investment Fund	0	1,936
Excess (-) / Deficit of Investments over Resources	57	-9

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) is advertised as available for public inspection on the website and the auditors available to answer questions. This document along with the Narrative Statement, a statement of public rights, a declaration that the document is subject to audit and subject to change and the Annual Governance Statement was also published on the Council's website by 31 May 2018. Following the completion of the audit, the audited accounts, final narrative statement and Annual Governance Statement will be advertised and available on the Council's website 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: 23 May 2018  
Appendices: Appendix A - Statement of Accounts 2017-18  
Appendix B – Narrative Statement  
Background Papers: Final Accounts Working Papers  
CIPFA Code  
Reference: X: C'tees, Council & Sub-C'tees/Corporate/2018-19/9-07-18/DG-Statement of Accounts