

Report to: **Audit Committee**  
Date: **20 July 2017**  
Title: **Draft Statement of Accounts 2016/2017**  
Portfolio Area: **Support Services**  
Wards Affected: **All**  
Relevant Scrutiny Committee: **Internal**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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**Recommendations:**

**That the Draft Statement of Accounts and the Draft Annual Governance Statement (AGS) for the financial year ended 31 March 2017 be endorsed.**

**1. Executive summary**

- 1) The report advises Members that an over spend of £45,000 was generated in 2016/2017 which was funded from the General Fund Balance (un-earmarked revenue reserve). The level of this reserve stands at £1.8 million at 31 March 2017.
- 2) The Narrative Statement to the Accounts gives a summary of the main items in the Statement of Accounts for 2016/2017.
- 3) The Annual Governance Statement (AGS) for 2016/17 presented in Appendix B reflects the new reporting requirements introduced by CIPFA/SOLACE's 2016 Delivering Good Governance in Local Government Framework. The Annual Governance Statement will need to be approved in September 2017 with the audited Annual Accounts.

## **2. Background**

- 1) The Accounts and Audit (England) Regulations 2015 set out the requirements for the production and publication of the local authority's annual Statement of Accounts (SOA). These regulations introduced revised procedures for the approval and publication of accounting statements. In line with common practice in the commercial sector, local authorities are now required to approve the accounts following the completion of the audit.
- 2) The SOA is an essential feature of public accountability, since it provides the stewardship report on the use of funds raised from the public. The closing of accounts is also important to the budgetary process, since it confirms the availability of reserves and balances for future use.
- 3) The attached booklet in Appendix A contains the Council's final accounts in full, including details of the Comprehensive Income and Expenditure Statement (CIES), Balance Sheet and Collection Fund together with statements setting out movements in reserves and cash flow.

Following the 'telling the Story' review by CIPFA, the 2016/17 Code changed the segmental reporting arrangements for the CIES. From 2016/17 local authorities are required to report their Cost of Services based on the way in which they operate and manage services.

There is no longer a requirement for the service expenditure analysis to be based on the Service Reporting Code of Practice for Local Authorities. The 2016/17 CIPFA Code also introduced a new financial statement, the Expenditure and Funding Analysis. This brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund. In addition the narrative statement to the booklet summarises the major variations in income and expenditure from the original budget.

- 4) The accounts have been prepared in accordance with all relevant and appropriate accounting standards including, International Accounting Standard (IAS) 19 which deals with pension costs. This standard ensures that the full cost of employing people is recognised systematically in the accounts and that creditors reflect the council's liability to pay money into the pension fund. A full explanation of the pension's liability is included in the Council's Statement of Accounts. Members are advised that the accounting arrangements for IAS 19 are for reporting purposes only. Indeed the required entries are reversed out of the accounts and consequently, IAS 19 has no impact on the Council's deficit for the year.

5) The Annual Governance Statement (AGS) for 2016/17 shown in Appendix B reflects the new reporting requirements introduced by CIPFA/SOLACE's 2016 Delivering Good Governance in Local Government Framework. The new requirements include:

- An acknowledgement of responsibility for ensuring there is a sound system of governance
- A reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment.
- An opinion on the level of assurance that the governance arrangements can provide.
- An agreed action plan.
- A conclusion.

### **3. Outcomes/outputs**

#### **1) Revenue Expenditure**

Revenue expenditure represents the ongoing costs of carrying out day-to-day operations, and is financed from council tax, business rates, fees and charges, government grants and interest earned on investment activity. The over spend on the General Fund in 2016/2017 of £45,000 is essentially a break-even position. ***The 2016/17 budget was £8.75 million and therefore the deficit of £45,000 means that the actual spend was 0.5% more than the budget.*** This small over spend will be funded from the Council's Unearmarked Reserves which stand at £1.8 million. The main differences from budget are shown on Page 9 of the Narrative Statement in the Statement of Accounts.

#### **2) Capital Expenditure**

Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £3 million in 2016/17. The main areas of expenditure were as follows:

- Residential renovation grants including disabled facilities grants
- Purchase of land, and
- Scheduled replacement of plant and vehicles.

### **4. Proposed Way Forward**

1) Members are advised that the accounts will be audited by our External Auditors, KPMG, during July. Following the Audit, the Statement of Accounts will be brought back to the Audit Committee for approval in September.

## 5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>The Statutory Powers that apply to this report are Section 151 Local Government Act 1972 Section 21 (12), Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015.</p> <p>The Accounts and Audit (England) Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS).</p>
Financial		The financial implications to this report are that an over spend of £45,000 was generated in 2016/2017.
Risk		<p><b>Public Accountability</b> – the accounts have been drawn up in strict accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 which is recognised by statute as representing proper accounting practice.</p> <p><b>Resource Planning</b> – the Council takes into account any significant issues when developing the Council’s Medium Term Financial Strategy.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

## **Supporting Information**

### **Appendices:**

Appendix A – Draft Statement of Accounts 2016/17

Appendix B – Annual Governance Statement

### **Background Papers:**

Finance Community of Practice final accounts working papers.