

Report to	-	Audit and Standards Committee
Date	-	26 June 2017
Report of the	-	Executive Director of Resources
Subject	-	Draft Statement of Accounts 2016/17

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**Recommendation:** It be **RESOLVED:** That the Council's 2016/17 Draft Statement of Accounts be noted.

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**Service Manager: Robin Vennard**

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### **Introduction**

1. The Accounts and Audit Regulations 2015 came into force on 1st April 2015, setting out the detailed requirements in relation to the duties and rights specified in the Local Audit and Accountability Act 2014. These regulations introduce earlier deadlines for publication of the accounts – bringing forward current dates by one month from 30 June to 31 May for the unaudited statement of accounts and by two months from 30 September to 31 July for the audited statement of accounts. From 2018 the Council is required to publish unaudited accounts by the end of May and the Audit and Standards Committee will need to approve audited accounts by the end of July. In order to meet these proposed timescales, the Council planned to quicken the production and subsequent publishing of the draft and audited accounts.
2. The draft unaudited accounts are shown in Appendix A.

### **Changes to the Format of the Statement of Accounts**

3. The main changes to the format this year is to make a much clearer link between the narrative and figures used for reporting against budgets, and the requirements of accounting standards. The Comprehensive Income and Expenditure Statement (CIES page 24) is now based on the management structure of the Council and excludes support service recharges. There is a new "Expenditure and Funding Analysis" (page 23) which reconciles the outturn figures in the Narrative Report (page 10) to those in the CIES. There is a new note analysing the CIES on a subjective basis, note 7 (page 45).
4. There has been a review of properties during the revaluation process which has led to the reclassification of some investment properties as other land and buildings. The previous year has been re-stated and a third balance sheet prepared for comparative purposes.

### **Statement of Accounts**

5. Detailed below is a brief description of the core financial statements and the issues relating to them.
6. **Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the authority, analysed into "useable

reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and un-useable reserves such as the revaluation reserve for land and property. The surplus of (£6.932m) on the provision of services line shows the true economic cost of providing the authority’s services, and these are shown in greater detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The net change of £3.538m before transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to earmarked reserves is made by the Council.

7. **Comprehensive Income and Expenditure Statement** – this shows the Council’s actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. It therefore does not show the “cash” position for the Council and is intended to reflect private sector accounting practice in presenting a profit and loss account.
8. **Balance Sheet** – this is fundamental to the understanding of the Council’s year-end financial position. It shows the balances and reserves at the Council’s disposal and its long-term indebtedness, the net current assets employed in its operations, and summarised information on the fixed assets held. The net worth of the Council has increased by £13.912m.
9. The Balance Sheet also highlights that the useable cash resources of the Council have increased by £3.538m. A detailed analysis of the Council’s earmarked reserves is shown in the notes to the accounts.
10. **Cash Flow Statement** – this brings together in a single statement the inflows and outflows of cash arising from the Council’s transactions with third parties for revenue, investment and capital purposes. Under International Financial Reporting Standards the statement only reflects those flows of funds directly related to the Council. Where the Council acts as an agent, as in the case of collecting the Council Tax on behalf of precepting authorities, these inflows and outflows of cash are excluded.
11. **Collection Fund Income and Expenditure Account** – this reflects a statutory requirement for the Council, which collects the local taxes, to maintain a separate account in relation to Business Rates and the Council Tax, and their distribution.

## Conclusion

12. The Balance Sheet shows that overall the financial position of the Authority remains sound with an adequate amount of reserves in place to meet short term needs. The Pension Fund liability of £22m is a long term financial assessment of a possible shortfall on the Fund based on the current situation and performance. As such no immediate action is required to manage the deficit.
13. The audited Statement of Accounts will be taken to Audit and Standards Committee for approval in September. There will be a training session on the 18 September which Members are encouraged to attend to help them gain a better understanding of the accounts and provide an opportunity to ask questions.

Malcolm Johnston  
Executive Director of Resources

**Risk Assessment Statement**

There are no risks arising from this report.

**Background Documents**

Local Government Accounting Code of Practice 2016/17 and associated guidance.