

**Subject: Unaudited Statement of Accounts 2016/17**

Report by:

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Purpose / Summary:

To note the 2016/17 Unaudited Statement of  
Accounts

**RECOMMENDATIONS:**

- 1) That Members have the opportunity to discuss the Unaudited Statement of Accounts and any comments of this Committee be referred to the S151 Officer for subsequent discussion with the Council's External Auditors, KPMG prior to issue by 30 June 2016.**

## IMPLICATIONS

**Legal:** The Statement of Accounts is prepared in accordance with the Accounts and Audit (Wales) Regulations 2015.

**Financial:** Fin/22/18 - The Unaudited Statement of Accounts 2016/17 has been prepared within existing resources and in accordance with proper accounting practices and the requirements of International Financial Reporting Standards (IFRS). This is intended to provide for comparable accounts across all accounting boundaries, public and private, national and international.

The Council remains in a healthy financial position with usable reserves totalling £21.221m being available for future investment.

**Staffing:** None arising from this report.

### **Equality and Diversity including Human Rights :**

*NB: A full impact assessment **HAS TO BE** attached if the report relates to any new or revised policy or revision to service delivery/introduction of new services.*

**Risk Assessment:** None arising from this report. A full risk assessment was undertaken prior to the process initiation.

**Climate Related Risks and Opportunities:** None arising from this report.

### **Title and Location of any Background Papers used in the preparation of this report:**

Code of Practice on Local Authority Accounting in the United Kingdom 2016/17  
Code of Practice on Local Authority Accounting in the United Kingdom – Guidance notes for practitioners 2016/17 Accounts  
The Accounts and Audit (England) Regulations 2015  
All papers are located in the Financial Services section, Guildhall

### **Call in and Urgency:**

**Is the decision one which Rule 14 of the Scrutiny Procedure Rules apply?**

Yes

No

### **Key Decision:**

Yes

No

## **1 Introduction**

- 1.1 The Unaudited Statement of Accounts for 2016/17 have been prepared under the International Financial Reporting Standards based Code of Practice on Local Authority Accounting (the Code).
- 1.2 Following the Accounts and Audit Regulations 2015 the Council's Statement of Accounts, subject to audit, must be certified by the Chief Finance Officer (S151) and issued before the 30 June. Following completion of the external audit the Council must formally approve the accounts before the end of September.
- 1.3 The Committee is presented with the Unaudited Statement of Accounts, which were issued to the Auditor, KPMG on 31 May 2017, for consideration and review, a month earlier than the statutory deadline of 30 June 2017.
- 1.4 The Statutory deadline for the publication of the unaudited Statement of Accounts 2017/18 is being brought forward to 31 May 2018, and the Audited statements to 31 July 2018 (currently 30 September) therefore, the Finance Team have worked hard over the past few months to achieve this target deadline for the 2016/17 closedown process. This has been achieved with good project management and leadership and co-operation of officers and members. This achievement provides assurance that the future statutory deadline can be met.
- 1.5 This Committee is responsible for the approval of the Statement of Accounts and any material amendments of the accounts recommended by the external auditors. The Audited Statement Accounts will therefore be presented to this Committee on 14 September 2017 after the audit process.
- 1.6 Members of the Governance and Audit Committee will be provided with specific training on the Statement of Accounts to enable them to meet these requirements, prior to the September meeting
- 1.7 The Statement of Accounts will be combined with the Annual Governance Statement (AGS) as in previous years whereby the Council publishes one document, clearly identifying that these are separate statements, and which will be presented to the July Committee for approval.
- 1.8 The External Auditor (KPMG) will carry out their audit commencing 20 June 2017. This may result in some changes being made to the Statement of Accounts that were originally certified by the Chief Finance Officer and published. The impact of any significant changes made on the main statements and associated notes will be highlighted in the September report.
- 1.9 The Statement of Accounts, and all supporting documentation will be available for inspection by the electorate from 3 July 2017 to 11 August 2017 by appointment only. From 20 June to the conclusion of the audit, any local elector may make written representations and/or objections to the external auditor to anything about which the Auditor could take action under section 7 of the Local Audit and Accountability Act 2014. Those sections deal with expenditure made by the District Council which is unlawful, and any matter in respect of which the auditor could make a report under section 7 of the Act. An

elector must send a copy of any such objection to the Director of Resources (S151).

## **2 Summary**

The Unaudited Statement of Accounts 2016/17 is attached at Appendix A. The main elements of which are detailed below;

### **2.1 Expenditure Funding Analysis**

This is a new statement which details the net expenditure utilised by our service Clusters which (Chargeable to the General Fund) when added to the statutory accounting adjustments ie capital charges, pensions etc. then reconciles to the Comprehensive Income and Expenditure Account. The surplus of £0.610m is made up of the following;

- £1.058m in year surplus on revenue budgets
- £0.065m other approved movements on the General Fund Balance
- £4.682m contributions to Earmarked Reserves
- Less £5.195m use of Earmarked Reserves

### **2.2 Comprehensive Income and Expenditure Statement (CIES)**

This Statement records the day-to-day expenditure incurred in providing services and includes salaries and wages, other running costs and financing costs and income due from fees and charges and government grants. This statement also shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, but such “accounting costs” do not form part of the amount required to be raised through Council Tax. The deficit on the Provision of Services totalled £1.134m (£0.798m surplus 2015/16).

### **2.2 Movement in Reserves Statement (MIRS)**

This Statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting.

The (Increase)/Decrease total shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council of £0.610m. The Council used £5.195m to fund investment in corporate priorities, capital and service improvement whilst earmarking a further £4.682m of revenue, with the main contribution being in year New Homes Bonus of £2.487m earmarked for investment in growth and regeneration. A further £1.123m was contributed to the General Fund, which included £1.058m in year surplus.

The Councils usable reserves total £21.221m (£21.022m 2015/16).

## 2.3 Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). Usable Reserves total £21.221m (£21.022m 2015/16). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS Statement line 'Adjustments between accounting basis and funding basis under regulations'. Unusable Reserves total a deficit of £17.139m (£10.411m 2015/16) thus giving a net balance sheet position of 4.082m, (usable reserves exceed unusable reserves)

## 2.4 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council. There has been an overall decrease in cash of £1.763m (decrease of £1.075m 2015/16).

## 2.5 Notes to the Accounts

The Notes to the Accounts include additional information including the accounting policies, material items of income and expense and explanations of elements contained within the Comprehensive Income and Expenditure Account and the Balance Sheet.

## 2.6 Other Financial Statements

**The Collection Fund** is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

This analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by Councils in comparison with those resources consumed or earned by Councils in accordance with generally accepted practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's different categories of expenditure and income. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### EXPENDITURE AND FUNDING ANALYSIS

2015/16				2016/17		
Net Expenditure Chargeable to General Fund £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000		Net Expenditure Chargeable to General Fund £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income & Expenditure Statement £'000
618	49	667	Corporate Management	605	35	640
2,175	457	2,632	Commercial	2,513	312	2,825
1,191	239	1,430	Customer First	1,449	151	1,600
2,757	(530)	2,227	Democratic & Business Support	2,592	(292)	2,300
1,351	(584)	767	Economic Development and Neighbourhoods	1,822	410	2,232
1,675	321	1,996	Housing and Regeneration	1,515	768	2,283
982	140	1,122	Organisational Transformation	1,062	172	1,234
<b>10,749</b>	<b>92</b>	<b>10,841</b>	<b>Net Cost of Services</b>	<b>11,558</b>	<b>1,556</b>	<b>13,114</b>
(13,493)	1,854	(11,639)	Other Income and Expenditure	(12,168)	188	(11,980)
<b>(2,744)</b>	<b>1,946</b>	<b>(798)</b>	<b>(Surplus) or Deficit</b>	<b>(610)</b>	<b>1,744</b>	<b>1,134</b>
(14,818)			Opening General Fund Balance 31 March 2016	(17,562)		
(2,744)			(Surplus) or Deficit in Year	(610)		
<b>(17,562)</b>			<b>Closing General Fund Balance 31 March 2017</b>	<b>(18,172)</b>		

This statement shows the movement from the start of the year to the end on the reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and of how the movements in year of the Council's reserves are broken down between accounting practices and the statutory adjustments required to return to the statutory General Fund Balance movement. The Increase/Decrease line shows the statutory General Fund Balance movement. Reserves total £21.221m (£21.022m in 2015/16)

**MOVEMENT IN RESERVES**

**Movement in Reserves during 2016/17**

	General Fund Balance £'000	Capital Receipts Reserve £'000
<b>Balance at 31 March 2016</b>	<b>(17,562)</b>	<b>(2,984)</b>
Total Comprehensive Income and Expenditure	1,134	0
Adjustment from income & expenditure charged under accounting basis to the funding basis	(1,744)	88
<b>(Increase)/Decrease in 2016/17</b>	<b>(610)</b>	<b>88</b>
<b>Balance at 31 March 2017 carried forward</b>	<b>(18,172)</b>	<b>(2,896)</b>

This statement shows the accounting cost in the year of pro accounting practices, rather than the amount to be fund expenditure in accordance with the statutory requirements; taxation position is shown both in the Expenditure and Full Statement (MIRS). The deficit on the Provision of Services to

### Comprehensive Income and

2015/16 (Restated)			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
667	0	<b>667</b>	Corporate Management
2,925	(293)	<b>2,632</b>	Commercial
25,925	(24,495)	<b>1,430</b>	Customer First
			Democratic & Business Support
2,380	(153)	<b>2,227</b>	Economic Development
2,661	(1,894)	<b>767</b>	Neighbourhoods
3,968	(1,972)	<b>1,996</b>	Housing and Regenerati
1,130	(8)	<b>1,122</b>	Organisational Transfor
<b>39,656</b>	<b>(28,815)</b>	<b>10,841</b>	<b>Cost of Services</b>
		2,073	Other Operating Expenc
		739	Financing and Investme
			Income and Expenditure
		(14,451)	Taxation and Non-Speci
			Grant Income And Expe
		<b>(798)</b>	<b>(Surplus) or Deficit on Provision of Services</b>
			<b>Items that will not be rec to the (Surplus) or Deficit Provision of Services</b>
		(3,669)	(Surplus) or Deficit Revaluation of Property, Equipment Assets
		(7,026)	Remeasurement of defined benefit liability/(a
		<b>(10,695)</b>	
			<b>Items that may be recla the (Surplus) or Deficit Provision of Services</b>
		(121)	(Surplus) or defic revaluation of available financial assets
		<b>(10,816)</b>	<b>Other Comprehensive Income and Expenditu</b>
		<b>(11,614)</b>	<b>Total Comprehensive and Expenditure</b>



The Balance Sheet shows the value as at the Balance Sheet date as recognised by the Council. The net assets of the Council are the reserves held by the Council. Reserves are reserves that are usable reserves, i.e. those reserves that are not subject to the need to maintain a prudent level of reserves (for example the Capital Receipts Reserve that may be used to repay debt). The second category of reserves is unusable reserves, which provide services. This category of reserves includes reserves that cover losses (for example the Revaluation Reserve), which are provided if the assets are sold; and reserves that are not subject to the Movement in Reserves Statement line 'Adjustments'.

<b>BALANCE SHEET</b>	
<b>31 March 2016 £'000</b>	
19,862	Property, Plant & Equipment
164	Investment Properties
156	Intangible Assets
0	Heritage Assets
2,175	Long Term Investments
10	Long Term Investments -Other
310	Long Term Debtors
<b>22,677</b>	<b>TOTAL LONG TERM ASSETS</b>
9,512	Short Term Investments
35	Assets Held For Sale
79	Inventories
3,094	Short Term Debtors
8,985	Cash and Cash Equivalents
<b>21,705</b>	<b>TOTAL CURRENT ASSETS</b>
(2,918)	Short Term Creditors
(995)	Short Term Provisions
(218)	Short Term Finance Lease Liability
<b>(4,131)</b>	<b>TOTAL CURRENT LIABILITIES</b>
(17)	Long Term Provisions
(128)	Long Term Finance Lease Liability
(28,876)	Net Pensions Liability
(619)	Grants Receipts in Advance - Cap
<b>(29,640)</b>	<b>TOTAL LONG TERM LIABILITIES</b>
<b>10,611</b>	<b>TOTAL NET ASSETS/(LIABILITIES)</b>
(21,022)	Usable Reserves
10,411	Unusable Reserves
<b>(10,611)</b>	<b>TOTAL RESERVES</b>

The Cash Flow Statement represents the Council's movement in cash (and cash equivalents) during the year. Cash flows from operating activities are cash generated from the Council's core business activities. Investing activities are those activities which include capital expenditure and acquisitions which are intended to contribute to the Council's future service delivery. Cash flows the movement in overall cash is a decrease of £1.763m (decrease of £1.075m 2015/16). arising from financing activities such as the issue and repayment of debt are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

## CASH FLOW STATEMENT

2015/16 (Restated) £'000		2016/17 £'000
<b>798</b>	<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>(1,134)</b>
744	Depreciation of Property, Plant and Equipment	759
85	Impairment and downward valuations	296
49	Amortisation of Intangible Assets	47
(164)	(Increase)/Decrease in Creditors	(1,241)
(234)	Increase/(Decrease) in Debtors	(546)
(47)	Increase/(Decrease) in Inventories (Stock)	(5)
1,186	Movement in Pension Liability	1,075
6	Carrying amount of non-current assets and non-current Assets Held For Sale, sold or derecognised	424
511	Other non cash items charged to the net surplus or deficit on the Provision of Services	11
<b>2,136</b>	<b>Adjustments to net surplus or deficit on the Provision of Services for non-cash movements</b>	<b>820</b>
<b>(1,374)</b>	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	<b>(357)</b>
<b>1,560</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(671)</b>
(327)	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,624)
(14,000)	Purchase of short-term (not considered to be cash equivalents) and long-term Investments	(14,538)
(237)	Other payments for investing activities	(35)
0	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	20
11,510	Proceeds from short-term (not considered to be cash equivalents) and long-term Investments	14,500
2,087	Other receipts from investing activities	846
<b>(967)</b>	<b>Net cash flows from investing activities</b>	<b>(831)</b>
(30)	Other receipts from financing activities	(35)
(1,410)	Other payments from financing activities	(8)
(228)	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	(218)
<b>(1,668)</b>	<b>Net cash flows from financing activities</b>	<b>(261)</b>
<b>(1,075)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(1,763)</b>
<b>10,060</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>8,985</b>
<b>8,985</b>	<b>Cash and cash equivalents at the end of the reporting period Note 17</b>	<b>7,222</b>

**COLLECTION FUND ACCOUNT**

2015/16			Income/Expenditure	Note	2016/17		
Council Tax £'000	Business Rates £'000	Total £'000			Council Tax £'000	Business Rates £'000	Total £'000
			<b>Income</b>				
44,542	0	<b>44,542</b>	Net Council Tax Receivable	1	46,397		<b>46,397</b>
0	15,137	<b>15,137</b>	Business Rate Receivable	2		16,401	<b>16,401</b>
<b>44,542</b>	<b>15,137</b>	<b>59,679</b>	<b>Total Income</b>		<b>46,397</b>	<b>16,401</b>	<b>62,798</b>
			<b>Expenditure</b>				
			West Lindsey District Council				
6,952	6,511	<b>13,463</b>	Precepts, Demands & Shares		7,279	6,653	<b>13,932</b>
116	0	<b>116</b>	Distributed Surplus/(Deficit)		202	(146)	<b>56</b>
			Lincolnshire County Council				
30,650	1,628	<b>32,278</b>	Precepts, Demands & Shares		32,599	1,663	<b>34,262</b>
504	0	<b>504</b>	Distributed Surplus/(Deficit)		891	(36)	<b>855</b>
			Lincolnshire Police Authority				
5,578	0	<b>5,578</b>	Precepts, Demands & Shares		5,819	0	<b>5,819</b>
91	0	<b>91</b>	Distributed Surplus/(Deficit)		162	0	<b>162</b>
			Central Government				
0	8,139	<b>8,139</b>	Precepts, Demands & Shares		0	8,316	<b>8,316</b>
0	0	<b>0</b>	Distributed Surplus/(Deficit)		0	(183)	<b>(183)</b>
0	106	<b>106</b>	Cost of Collection Allowance		0	106	<b>106</b>
27	0	<b>27</b>	Write offs of uncollectable amounts		0	24	<b>24</b>
(40)	104	<b>64</b>	Increase/(Decrease) in Impairment Allowance		51	377	<b>428</b>
0	1,373	<b>1,373</b>	Increase/(Decrease) in Provision for Appeals		0	0	<b>0</b>
0	141	<b>141</b>	Transitional Protection Payments		0	325	<b>325</b>
0	20	<b>20</b>	Disregarded Amounts		0	25	<b>25</b>
<b>43,878</b>	<b>18,022</b>	<b>61,900</b>	<b>Total Expenditure</b>		<b>47,003</b>	<b>17,124</b>	<b>64,127</b>
<b>664</b>	<b>(2,885)</b>	<b>(2,221)</b>	Surplus/(Deficit) arising during the year	3	<b>(606)</b>	<b>(723)</b>	<b>(1,329)</b>
<b>1,966</b>	<b>(255)</b>	<b>1,711</b>	Surplus/(Deficit) b/fwd 1st April		<b>2,630</b>	<b>(3,140)</b>	<b>(510)</b>
<b>2,630</b>	<b>(3,140)</b>	<b>(510)</b>	<b>Surplus/(Deficit) c/fwd 31st March</b>		<b>2,024</b>	<b>(3,863)</b>	<b>(1,839)</b>