



**Governance & Audit
Committee**

19 June 2018

Subject: Unaudited Statement of Accounts 2017/18

Report by:

Ian Knowles, Executive Director of Resources
(S151) – Chief Finance Officer

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Purpose / Summary:

The 2017/18 Unaudited Statement of Accounts is
presented for scrutiny

RECOMMENDATIONS:

- 1) That Members have the opportunity to review the attached Unaudited Statement of Accounts; any comments of this Committee will be referred to the S151 Officer for subsequent discussion with the Council's External Auditors, KPMG.**

IMPLICATIONS

Legal: The Statement of Accounts is prepared in accordance with the Accounts and Audit Regulations 2015

Financial: FIN/50/19/CC

The Unaudited Statements of Accounts 2017/18 has been prepared 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 Revenue out-turn 2017/18 reflected a gross surplus of £0.432m (after approved carry forwards), which was transferred to the General Fund Balance.

Capital Investment totalled £6.534m

In respect of Useable Reserves, we remain in a healthy position with balances detailed below;

- General Fund working balance totals £3.914m, (£4.839m 2016/17)
- General Fund Earmarked reserves total £12.635m, (£13.334m 2016/17)
- Capital receipts total £3.015m (£2.895m 2016/17)
- Capital Grants unapplied £0.368m (£0.154m 2016/17)

A number of financial performance ratio's are contained within the report which illustrate that the Council remains in a healthy financial position.

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 :

Should the auditors find any material errors this may result in a qualification of the accounts:

Mitigation: The auditors have been consulted on any material issues identified during the closedown process and agreement has been made on the treatment of such items.

Mitigation: A robust quality check has been undertaken and working papers prepared and reviewed.

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 2017/18.

Code of Practice on Local Authority Accounting in the United Kingdom – Guidance notes for practitioners 2017/18 Accounts.

The Accounts and Audit (England) Regulations 2015

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 2017/18 (Appendix A) has 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 and published before the 31 May. Following completion of the external audit the Council must formally approve the accounts before the 31 July.

- 1.3 This Committee is presented with the Unaudited Statement of Accounts, which were issued to the auditor, KPMG by the new statutory deadline of 31 May 2018, for consideration and review.
- 1.4 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 24 July 2018 after the audit process.
- 1.5 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
- 1.6 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.
- 1.7 This Committee will review the Draft Annual Governance Statement alongside the Unaudited Statement of Accounts.
- 1.8 The External Auditor (KPMG) will carry out their audit commencing 25 June 2018. 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 July report.
- 1.9 The Statement of Accounts, and all supporting documentation will be available for inspection by the electorate from 1 June 2018 to 12 July 2018 by appointment only. From 1 June to 12 July 2018, 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 Executive Director of Resources (S151).

2 Financial Performance Indicators 2017/18

- 2.1 Taking information from the main Statements within the Accounts i.e. the Income and Expenditure Account, the Movement in Reserves and the Balance Sheet, the following financial performance indicators have been derived and are provided in the table below, providing a view of the Council's financial stability and health.

PERFORMANCE INDICATORS	2016/17	2017/18
Liquidity Ratio	6.43%	4.05%
<i>A ratio of above 1% reflects the Council can meet its short term obligations</i>		
Working Capital (net current assets)	17,688	13,502
<i>The difference between Current Assets and Current Liabilities. Illustrating the Council has adequate current assets to meet its current liabilities</i>		
Working capital as a % of Actual Net Revenue Expenditure	125.38%	97.17%
<i>Working capital remains near 100% of Net Revenue Expenditure showing we have adequate net current assets to enable continued operations.</i>		
General Fund Reserves as % of Actual Net Revenue Expenditure	128.81%	119.10%
<i>This indicator measures the period over which the Council could continue to operate without using grant and tax income by utilising its reserves. It should be noted that reserves are set aside to mitigate risks and to fund investments. If the use of reserves were to be used to support the revenue budget this would impact greatly on the achievement of the Council's Corporate Plan priorities.</i>		
Total Liabilities as % of Total Assets	90.85%	83.99%
<i>The indicator provides assurance that the Council can meet all its liabilities from its assets</i>		
% Movement In Pension Liability	25.99%	0.82%
<i>The ratio reflects the increase/ (decrease) in pension liability. The movement reflects changes in the actuarial assumptions of such factors as expected rate of return on investments, mortality, future inflation (including pay awards and pension increases), this can have a significant impact on the balance.</i>		
Pension Fund Liabilities as a % of Net Revenue Expenditure	-257.88%	-263.99%
<i>Whilst the Pension Liability may not be an immediate concern it does have an impact on the level of contributions the Council is required to make to repay the Pension deficit.</i>		
% Change in Council Tax Base	2.32%	0.28%
<i>1% growth on the Tax Base generates £57k p.a. of additional Council Tax revenue.</i>		
% Change in Rateable Value (Business Rates)	-0.28%	15.95%
<i>2016/17. In 2017/18 the large increase is due to the revaluation exercise undertaken by the Valuation Office as at 1.4.2017.</i>		
Movement in Fixed Asset Value	5.55%	31.44%
<i>The Council continues to increase its fixed asset value to provide fit for purpose properties and to generate revenue returns through investment in Commercial Property. This is either through enhancements to existing assets, disposal of assets which are not providing value for money, acquisition of new assets and valuation impacts.</i>		

2.2 The Council remains in a healthy position with good levels of reserves and the ability to meet its liabilities. The pension fund is not an immediate concern, however it does have an impact on the level of finances in the future, as shown by the movement over the last two years.

3 The Statement of Accounts

The Unaudited Statement of Accounts 2017/18 is attached at Appendix A. The main elements of which are detailed below;

3.1 Expenditure Funding and Analysis

This is a statement which details the net expenditure utilised by our service Clusters which (Chargeable to the General Fund) when added to the statutory accounting adjustments i.e. capital charges, pensions. This then reconciles to the Comprehensive Income and Expenditure Account.

3.2 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 £1.588m (£1.134m deficit 2016/17).

3.3 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 Councils usable reserves total £19.933m (£21.221m 2016/17).

3.4 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 £19.933m (£21.221m 2016/17). 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 £11.924m (£17.139m 2016/17) thus giving a net balance sheet position of £8.009m, (usable reserves exceed unusable reserves)

3.5 **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 increase in cash of £2.158m (decrease of £1.763m 2016/17).

3.6 **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.

3.7 **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.

4 Summary

- 4.1 The Unaudited Statement of Accounts 2017/18 attached at Appendix A will be audited by our external auditors the week commencing 25 June 2018. The final Audited Statement of Accounts will be presented to Governance and Audit 24 July 2018.
- 4.2 It is recommended that Members having considered the Unaudited Statement of Accounts refer any comments of this Committee to the S151 Officer for subsequent discussion with the Council's External Auditors, KPMG prior to issue 24 July 2018.