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| <b>SUBJECT:</b>            | <i>Final 2016/17 Statement of Accounts</i>  |
| <b>REPORT OF:</b>          | <i>Director of Resources – Jim Burness</i>  |
| <b>RESPONSIBLE OFFICER</b> | <i>Director of Resources – Jim Burness</i>  |
| <b>REPORT AUTHOR</b>       | <i>Principal Accountant – Jacqueline Ing</i><br>01494 732292 <a href="mailto:jing@chiltern.gov.uk">jing@chiltern.gov.uk</a> |
| <b>WARD/S AFFECTED</b>     | <i>All</i>  |

## 1 Purpose of Report

- 1.1 The purpose of this report is to:
- Present the 2016/17 Statement of Accounts for Members to review.
  - Request that the Accounts are approved by the Audit Committee and signed in accordance with the Accounts and Audit Regulations.

### RECOMMENDATIONS

**The Accounts are approved by the Audit Committee and signed by the chair of the Audit Committee to signify the completion of the Authority's approval process.**

## 2 Background

- 2.1 Each year the Authority is required to produce a formal Statement of Accounts document in accordance with the Accounts and Audit Regulations.
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- 2.3 The Accounts must:
- Follow the format laid out in the Code of Practice on Local Authority Accounting – which is based on International Financial Reporting Standards (IFRS);
  - Be approved by the Council's s151 senior finance officer by 30 June;
  - Be subject to external audit;
  - Be made available to the public for inspection;
  - Be considered and approved by Members by 30 September; and
  - Be published by 30 September

## 3 Report Structure

- 3.1 The Statement of Accounts is a complex document as it is designed to provide detailed financial information which would allow the technical reader to gain a comprehensive understanding of all the key financial activities of the organisation
- 3.2 To assist members in reviewing the Statement of Accounts a commentary on each of the main sections of the Accounts is detailed below using the following standard headings:

- Narrative Report
- Statement of Responsibilities
- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Notes to the Accounts
- Collection Fund
- Auditor's Report
- Annual Governance Statement

#### **4 Narrative Report**

- 4.1 The purpose of the Narrative Report is to offer interested parties a summary of the most significant matters reported in the Accounts.
- 4.2 It gives a high level overview of the year's performance in terms of both revenue and capital spend, and highlights the Authority's financial position at the end of the year and the outlook for the future. It also outlines significant factors that affect the understanding of the Accounts.

#### **5 Statement of Responsibilities**

- 5.1 The Statement of Responsibilities is a formal requirement to set out the respective responsibilities of the Authority and the most senior SBDC finance officer (the Director of Resources) in regards to preparing and producing the Statement of Accounts. The wording is based on best practice requirements and does not tend to change from year to year.

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

- 6.1 The CIES is fundamental to the understanding of the Council's activities in that it reports the net cost for the year of all the functions for which the Council is responsible for and demonstrates how that cost has been financed from general Government grants and income from local taxpayers.
- 6.2 The statement is split into a number of sections:
- The first section provides information on the costs of the Council's different operations, net of specific grants and income from fees and charges, to give the net cost of services of £7,427,000.
  - The second section comprises items of income and expenditure relation to the Council as a whole i.e. not service specific – primarily the Parish Precepts of £2,019,000.
  - The third section shows Financing and Investment Income and Expenditure.
  - The fourth section shows the income from local taxation and general government grants, including Council Tax of £6,780,000.

#### **7 Movement in Reserves Statement**

- 7.1 The Movement in Reserves Statement brings together all the recognised gains and losses of the Authority, to show how the different reserves held by the Authority have changed over the year.

- 7.2 The key movement in the Council's usable reserves are as follows:
- The General Fund Balance decreased by £1,408,000 to £2,939,000. This is due to a transfer to Earmarked Reserves of £3,602,000 which has been offset by adjustments relating to retained income from Non-Domestic Rates.
  - Earmarked reserves increased by £3,602,000 to £6,628,000. This is mainly due to in year contributions to reserves relating to S106 commuted sums.
  - The Council's Capital Receipts Reserve decreased by £5,233,000 to £856,000. This is because receipts were used to fund the Council's capital investment programme.
- 7.3 The financial position on the General Fund Balance at the end of the year is an important indication of the Council's financial stewardship. There is no statutory guidance as to the level of this reserve. Local authorities are expected on the advice of their chief finance officer, to make their own judgements on minimum levels taking into account all relevant local circumstances. For 2016/17 the Director of Resources recommended the minimum level for this reserve was £870,000.
- 7.4 The key movement in the Council's unusable reserves is as follows:
- The Pension deficit increased by £6,114,000. The accumulated estimated pension fund deficit now stands at £31,484,000.
  - The Revaluation Reserve balance increased by £5,162,000 due to upwards revaluation of the Authority's Property, Plant and Equipment

## 8 Balance Sheet

- 8.1 The balance sheet reports on the Council's financial position as at 31 March and shows the value of its assets and liabilities.
- 8.2 The following table provides a summary of the Council's key assets and liabilities:

|                                     | Value<br>31 March 2017<br>£m |
|-------------------------------------|------------------------------|
| <b>Assets</b>                       |                              |
| Property, Plant and Equipment       | 17.8                         |
| Investment Property                 | 10.2                         |
| Investments, Cash and Bank holdings | 18.3                         |
| Long Term Debtors                   | 1.8                          |
| Short Term Debtors                  | 5.7                          |
|                                     |                              |
| <b>Liabilities</b>                  |                              |
| Short Term Creditors                | 6.3                          |
| Short Term Provisions               | 1.7                          |
| Finance Lease Liability             | 3.5                          |
| Pension Liability                   | 31.5                         |

- 8.3 With regard to the pension liability, this valuation is an accounting valuation calculated at a point in time in accordance with IAS19 and is different to the triennial actuarial revaluation

which determines the Council's cash contribution to the pension fund. The accounting valuation methodology and derivation of the main assumptions used can produce very volatile numbers from one year to another. The deficit will be made good by ongoing contributions into the fund over the remaining life of employees.

## **9 Cashflow Statement**

- 9.1 The cashflow statement shows the inflow and outflow of cash for the year for both revenue and capital and shows how the Council's cash position has changed on a year on year basis
- 9.2 It shows that in 2016/17 the authority decreased the amount of cash (and cash equivalents) that it holds by £373,000.

## **10 Notes to the Accounts**

- 10.1 Accompanying the Accounts are a large number of disclosure notes that give further explanations of the figures. The notes are required under the Code of Practice to give added clarity and understanding for the readers of the Accounts.
- 10.2 Detailed below is a commentary on a number of the key notes.

### Note 1: Accounting Policy

Note 1 details the accounting policies that have been used to compile the Accounts. The accounting policies that all major local authorities are required to use are set out in the Accounting Code of Practice. The policies are therefore in line with the standard requirements.

### Note 7: Expenditure and Funding Analysis

This note reconciles the amounts that are reported to Management as part of the budget monitoring process and the final figures that are produced for Accounts purposes.

### Note 9: Earmarked Reserves

This note gives a breakdown of the amounts held in Earmarked Reserves. Particularly, it shows that of the £6,628,000 held as Earmarked; £4,968,000 is for S106 commuted sums. A further £25,000 of S106 monies are held as a long term creditor on the Balance Sheet.

### Note 10: Property, Plant and Equipment

This note provides a breakdown of the Council's Property, Plant and Equipment. In particular it should be noted that this includes the value of the Capswood building lease.

### Note 11: Investment Properties

This note provides further information about the Council's Investment Properties. Investment Properties are those land and buildings that are not used to provide services but are instead rented out to generate income. Investment properties are required to be revalued every year and the change in value is charged to the Comprehensive Income and Expenditure Account.

Note 13: Financial Instruments

This note provides more information on the Council's investments and contractual debtors/creditors.

Note 19: Officer's Remuneration

This note shows the amounts paid to senior staff in 2016/17. As the Senior Management team are shared with CDC, all shared staff are shown in this note; although SBDC only bears 45.1% of the cost.

Note 24: Leases

This note provides additional information about the lease commitments that the Authority has. This is so that the technical reader can see the long term lease commitments that the Authority has.

Note 25: Defined Benefit Pension Schemes

This note provides additional information about the Council's pensions arrangements. It is long and detailed as the method of calculating the future pension liabilities is complex and it is considered important that the technical reader can understand the specific assumptions that underpin the pension valuation included in the Accounts.

Note 27: Nature and Extent of Risks arising from Financial Instruments

This note provides extensive details about the potential risks that the Council faces from its financial dealings. It is long and detailed so that the technical reader can understand the full implications of the Council's investment strategy/debt profile.

**11 Collection Fund**

- 11.1 The Collection Fund is a separate account which receives all income from Council Tax and Non Domestic Rates (NDR).
- 11.2 This account pays out Council Tax, in the form of precepts, to Bucks County Council, South Bucks District Council (including an element for Town/Parish Councils), the Police & Crime Commissioner for Thames Valley, and Bucks and Milton Keynes Fire Authority.
- 11.3 NDR Income is shared as follows:
- Central Government 50%
  - South Bucks District Council 40%
  - Bucks County Council 9%
  - Bucks and Milton Keynes Fire Authority 1%
- 11.4 Any surplus, or deficit, arising on the account is either paid out to, or recovered from, the appropriate parties in subsequent years.
- 11.5 During 2016/17 £51.5.m of Council Tax income was due and £31.4m of NDR income was due

**12 Auditor's Report**

- 12.1 In accordance with the Accounts and Audit Regulations the Authority's external auditors, Ernst & Young, are required to audit the Accounts to ensure that they present fairly the financial position of the Authority.
- 12.2 Once their audit is completed they issue a formal opinion on the Accounts and this has to be included in the Accounts.
- 12.3 The External Audit is substantially complete and the Audit Results Report is included as a separate agenda item to this Audit Committee meeting. It is anticipated that the auditors will issue a formal opinion on the Accounts once these have been approved by the Audit Committee.

**13 Annual Governance Statement**

- 13.1 One of the requirements of the Accounts and Audit Regulations is that an Annual Governance Statement is produced and published in the Accounts. This statement provides details of the Council's Internal Control and governance arrangements.
- 13.2 The Annual Governance Statement is additional to the main Accounts document as it is prepared and produced separately from the accounting information.
- 13.3 The 16/17 Annual Governance Statement has already been:
- approved by the Officer Management Team
  - approved by the Audit Committee on the 5th July 2017 and
  - approved and signed off by the Chief Executive and the Leader of the Council on the 14th July 2017.

**14 Formal Approval of the Accounts**

- 14.1 The Accounts and Audit Regulations require the Chairman of the Committee receiving the Accounts to sign and date the Accounts to formally represent completion of the Authority's approval process.
- 14.2 The Chairman of the Audit Committee is therefore requested to sign the declaration in the financial statements once Members have considered the Accounts.

**15 Annual Governance Statement**

- 15.1 Members should note that, as the Accounts are an important public document, it is considered good practice that these are subject to detailed review. Members should feel free to ask questions about the Accounts and if appropriate request additional information to support the figures presented. However due to the length and complexity of the Accounts, officers would request advance notice if possible of any particularly detailed questions in order to provide comprehensive answers.

- 15.2 There is a risk that the SBDC Accounts will be incorrect due to fraud or error. The risk of fraud is considered to be low and the risk of error is low/medium – due to the complexity of the Accounts. The following controls mitigate this risk:
- The Council has detailed Financial and Contract Procedure rules
  - Access to the finance system is limited to authorised staff and password protected
  - Internal audit carry out annual reviews of all key finance systems
  - The Accounts are produced by an experienced finance team, led by a qualified accountant.
  - The Authority has obtained and followed the appropriate Codes of Practice and associated guidance notes
  - Key staff in the finance team attend update courses, to ensure that they are aware of any changes to the Accounts
  - A comprehensive timetable/checklist of what needs to be done and when is produced, and progress is monitored against this.
  - A full set of working papers is produced to support the figures in the Accounts
  - All working papers are reviewed by another experienced team member
  - The Director of Resources reviews the Accounts and signs these off.
  - The Principal Accountants, Head of Finance and the Director of Resources are qualified accountants and are therefore required to comply with their Accounting Institutes codes of practice.
  - Members have the opportunity to review the Accounts and ask questions about any of the figures
  - The Accounts are subject to external audit review.

## **16 Corporate Implications**

- 16.1 There are no direct financial, legal or human resources implications from this report.

## **17 Next Steps**

- 17.1 Once the Statement of Accounts has been formally signed by the Chairman of the Committee they will be formally adopted by the Council.
- 17.2 The final Statement of Accounts for 2016/17 will be published on the South Bucks District Council website

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| <b>Background Papers:</b> | None |
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