

**Report of the Chief Finance Officer**

**Report to Corporate Governance and Audit Committee**

**Date: 26<sup>th</sup> June 2018**

**Subject: Publication of Draft Statement of Accounts 2017/18**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

- 1 The Chief Finance Officer has reviewed the 2017/18 accounts and certified that they are a true and fair view of the Council's financial position.
- 2 The accounts have been drawn up based on proper accounting practice as required by the Accounts and Audit Regulations 2015.
- 3 The accounts were made available for public inspection for thirty working days commencing 1<sup>st</sup> June 2018.
- 4 Despite the continuing financial pressures impacting on local government, the Council continues to manage its financial affairs in an effective manner. The final outturn position for the general fund was an underspend of £7.0m.
- 5 The draft Annual Governance Statement, which has been authorised by the City Solicitor and the Chief Finance Officer, is attached as an appendix to this report.

**Recommendations**

- 6 Members are asked to:
  - Note the 2017/18 unaudited Statement of Accounts as certified by the Responsible Financial Officer, which are now available for public inspection.
  - Note the draft Annual Governance Statement which has been published alongside the draft Statement of Accounts for public inspection

## 1 **Purpose of this report**

- 1.1 The purpose of this report is to present to the Committee the draft 2017/18 Statement of Accounts and the draft Annual Governance Statement, both of which were published on 1<sup>st</sup> June for the statutory public inspection period. The Statement of Accounts is included with the agenda as a separate document for Committee members and will be published on the Council's internet site. The draft Annual Governance Statement is attached as an appendix to this report.
- 1.2 The report also provides an update on the outstanding elector objection arising from the 2016/17 statement of accounts public inspection period.

## 2 **Background information**

- 2.1 Whilst it is not a statutory requirement for members to formally approve these unaudited accounts, members of this Committee requested that they receive the draft accounts for information, prior to the final audited accounts being submitted to the committee for approval in July.
- 2.2 The council is required to publish its draft Annual Governance Statement alongside its draft accounts. As is the case for the accounts, the final version of the Annual Governance Statement will be submitted to the Committee for approval in July.

## 3 **Main issues**

### 3.1 **Main Financial Issues**

- 3.1.1 The following is a summary of the main financial issues raised by the 2017/18 unaudited accounts:
- The final outturn position for the year was a £5.6m contribution to the General Fund Reserve, which represented a £7.0m underspend in comparison to the figure budgeted for. The most significant factor in this was a one-off £7.3m receipt from HMRC in settlement of the council's claim to recover VAT previously accounted for on sports admission charges.
  - The Housing Revenue Account outturn position was a use of HRA revenue reserves of £4m, in comparison to the approved budget of £4.2m. This position incorporated an underspend of £0.9m in net expenditure and a reduction of £0.5m in the planned use of revenue reserves, resulting in an additional £0.7m contribution to the Major Repairs Reserve and a further £0.7m contribution to revenue reserves.
  - The Council's net worth has increased by £323.6m, and as at 31<sup>st</sup> March 2018 stands at £1,545m. Within this increase in net worth there has been an increase of £532m in the value of tangible fixed assets, partly offset by an increase in the net pensions liability of £142m. Net borrowing for capital and treasury management purposes has increased by £104m, reflecting an increase of £101m in the capital financing requirement.
  - The council's level of usable reserves have risen by £6m to £280m. The majority of this increase relates to usable capital reserves, within which the level of capital receipts unapplied has increased by £9m. Total usable

revenue reserves have increased by £0.6m, including an increase of £13m in unringfenced revenue reserves.

- The position for business rates within the Collection Fund has again improved, with the closing deficit position standing at £31.7m, a reduction of £20.3m in comparison to 2016/17. The 2018/19 budget was set on the basis of an assumed deficit of £27.2m, and thus there is an additional deficit of £4.5m to take into account for 2019/20, of which 49% (£2.2m) will be borne by the council.

A full analysis of these and other financial issues is included in the Foreword of the Chief Finance Officer which can be found at the front of the accounts.

### **3.2 Responsibilities and Timeframes for Approving the Statement of Accounts**

3.2.1 The Accounts and Audit Regulations 2015 determine the roles and responsibilities for approving local government accounts. Under these regulations it is the responsibility of the Responsible Financial Officer to certify that the draft accounts are a true and fair view of the Council's financial position before the 31<sup>st</sup> May. The accounts must then be available for public inspection for thirty working days, which must include the first ten working days of June. This Committee is charged with approving the final audited accounts by 31<sup>st</sup> July. The committee will be aware from previous reports that 2017/18 is the first year to which these earlier statutory deadlines apply.

3.2.2 To enable members to discharge their responsibilities for approving the accounts at the July meeting of the committee, the following assurances can already be given, or will be given within the approval process:

- On 31<sup>st</sup> May 2018 the Chief Finance Officer in his capacity as the Responsible Financial Officer signed the draft 2017/18 accounts, confirming that he is satisfied that they present a true and fair view of the Council's financial position.
- The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, which represents proper accounting practice for local authorities, as required by the Accounts and Audit Regulations 2015.
- KPMG are currently undertaking a detailed audit of the accounts to ascertain that, in their view, the accounts show a true and fair of the Council's financial position. They will report any significant issues back to this Committee in July.
- Stakeholders have thirty working days while the accounts are on deposit to look through the accounts and supporting documentation and raise any questions with the auditors or to object to the accounts. If considered an eligible objection the auditors would pursue the complaint or questions and determine if the accounts need amendment. Any significant issues raised in this way would be reported back to this Committee in July. For 2017/18, the public inspection period commenced on 1<sup>st</sup> June.
- Members have the opportunity to question officers on any aspect of the accounts at this Committee or in the July Committee prior to approving the accounts.

### **3.3 Accounting Issues Impacting on the Financial statements**

3.3.1 There have been no significant changes in accounting policy affecting the 2017/18 accounts.

### **3.4 External Audit Issues**

3.4.1 In September 2017, KPMG reported back to this Committee its main audit findings in respect of the 2016/17 accounts and any recommendations or risks for the following year's accounts. The report made one recommendation, relating to the documentation of the process of challenge to the asset valuation assumptions, and progress on this will be reported at the July committee. In their annual audit plan which was presented to the Committee in January 2018, KPMG identified three key areas of audit risk for the 2017/18 accounts, due to the materiality of the figures involved. These were the valuation of property, plant and equipment, the valuation of net pension liabilities, and the possible renegotiation of a particular lease.

### **3.5 2016/17 Elector objection**

3.5.2 The committee will recall that although the 2016/17 statement of accounts were certified in September 2017 by KPMG as presenting a true and fair view, the audit for that year remained open due to an unresolved elector objection relating to the council's use of LOBO loans to meet part of its borrowing requirement. KPMG issued a provisional response to the elector on 2<sup>nd</sup> May 2018. The elector has responded to this with further comments which KPMG are considering prior to issuing a final response to the objection. Once the final response has been received from KPMG it will be reported to the next available meeting of the Committee.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 This is a factual report from the Chief Finance Officer on the Council's 2017/18 financial accounts and consequently no public, ward member or councillor consultation or engagement has been sought.

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 There are no issues regarding equality, diversity, cohesion and integration.

### **4.3 Council policies and City Priorities**

4.3.1 The Statement of Accounts is an audited publication which provides all stakeholders with the confidence that public money has been properly accounted for and that the financial standing of the Council is on a secure basis.

4.3.2 As required by the Accounts and Audit Regulations 2015, the accounts are to be made available for public inspection for thirty working days. Local electors and taxpayers have the right to look through the accounts and supporting documentation as well as the right to object to the accounts and question the auditors.

#### **4.4 Resources and value for money**

- 4.4.1 This is a factual report of the Chief Finance Officer on the financial accounts of the Council for 2017/18. There are no additional financial or value for money implications.

#### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 The accounts are required to be certified as a true and fair view of the Council's financial position by the Responsible Financial Officer before the end of May. This report does not require a key decision and is therefore not subject to call in.

#### **4.6 Risk Management**

- 4.6.1 The Council's external auditors provide a risk assessment on the accounts process as part of their annual audit plan, which was presented at the previous meeting of this Committee. The specific areas identified as audit risks will be covered as part of their audit work, and any issues arising will be reported at the July meeting of this committee.

#### **5 Conclusions**

- 5.1 Despite the continuing financial pressures impacting on local government, the Council continues to manage its financial affairs in an effective manner and has maintained the level of general reserves at a prudent level. The Council's net worth has increased, reflecting an increase in the value of its fixed assets, partly offset by an increase in the pensions deficit recognised in the accounts. Overall the Council continues to balance its finances and has a proven process for managing future budget pressures.
- 5.2 The Responsible Financial Officer has certified that the accounts are a true and fair view of the council's financial position.

#### **6 Recommendations**

- 6.1 Members are asked to:
- Note the 2017/18 unaudited Statement of Accounts as certified by the Responsible Financial Officer, and that they have been released for public inspection.
  - Note the draft Annual Governance Statement which has been published alongside the draft Statement of Accounts for public inspection

#### **7 Background documents<sup>1</sup>**

- 7.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.