

# TEWKESBURY BOROUGH COUNCIL

<b>Report to:</b>	Audit Committee
<b>Date of Meeting:</b>	21 September 2017
<b>Subject:</b>	Statement of Accounts 2016/17
<b>Report of:</b>	Simon Dix, Head of Finance and Asset Management
<b>Corporate Lead:</b>	Rob Weaver, Deputy Chief Executive
<b>Lead Member:</b>	Cllr R Furolo, Lead Member for Finance and Asset Management
<b>Number of Appendices:</b>	1

## **Executive Summary:**

The Statement of Accounts for 2016/17 shows the financial position of the Council as at 31 March 2017 as well as the performance during the year. It is a statutory requirement to publish the accounts, with the audit certificate and opinion, no later than 30 September 2017.

This year (in anticipation of next year's earlier closedown) the draft accounts were produced by 31 May 2017.

This year saw working balances remain at £450,000 and a net worth increase from £8.9M to £9.9M.

## **Recommendation:**

**To approve the Statement of Accounts 2016/17**

## **Reasons for Recommendation:**

It is a statutory duty for the Council to adopt the Statement of Accounts.

## **Resource Implications:**

Revenue and Capital balances as detailed within the report.

## **Legal Implications:**

The process and schedule for approval of the Statement of Accounts are regulated by the "Accounts and Audit (England) Regulations 2011 SI 2011 No 817".

## **Risk Management Implications:**

None

## **Performance Management Follow-up:**

None

## **Environmental Implications:**

None.

## **1.0 INTRODUCTION/BACKGROUND**

- 1.1** The attached Statement of Accounts is a statutory document produced to demonstrate the Council's financial position at the end of the financial year i.e. 31 March. As per the revised Accounts and Audit (England) Regulations 2011 guidelines, approval of the accounts is now made by the Section 151 Officer by 30 June. The accounts are then audited and amended, if necessary, before the Section 151 Officer signs the accounts again. These accounts are then approved by the Audit Committee and are signed-off by the Chair by the 30 September.
- 1.2** From next year these deadlines are brought forward and we used this year as a practice run. We successfully prepared our accounts a month early (31 May) which gives us the confidence that we will successfully hit the revised deadlines in 2018.
- 1.3** The accounts must be prepared in accordance with "The Code of Practice on Local Authority Accounting in the United Kingdom 2016-17" ("the Code") published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.4** The audit findings report once again shows no material misstatements and only a few minor misclassifications and disclosure changes. This excellent achievement was down to the hard work and dedication of the Finance team.
- 1.5** The Committee is asked to review the content of the Statement of Accounts, in line with the information contained in the report, and approve them for publication in line with the Accounts and Audit Regulations 2011.

## **2.0 REVIEW OF THE STATEMENT OF ACCOUNTS**

### **2.1 Income and Expenditure**

**2.1.1** Working balances have remained at £450,000 as a result of the following activity during the year.

**2.1.2** The Council overspent against its net budget by £87,000 in the year which can be shown below:

	<b>Full Year Budget £</b>	<b>Outturn Position £</b>	<b>Underspend /(overspend ) £</b>	<b>Budget Variance %</b>
Employees	8,272,891	8,299,005	(26,114)	0.32%
Premises	533,016	512,284	20,732	3.89%
Transport	145,429	145,420	9	0.01%
Supplies & Services	1,964,021	2,209,784	(245,763)	12.51%
Payments to Third Parties	4,868,880	5,700,286	(831,406)	17.08%
Transfer Payments	18,989,000	19,086,044	(97,044)	0.51%
Income	(24,899,695)	(26,288,864)	1,389,169	5.58%
<b>Total</b>	<b>9,873,542</b>	<b>9,663,960</b>	<b>209,582</b>	<b>2.12%</b>
Commercial & Treasury activity	(250,547)	(409,712)	159,165	63.53%
Corporate Savings Targets	(80,500)	0	(80,500)	100.00%
New Homes Bonus	47,407	47,407	0	0.00%
Business Rates Income	(260,000)	114,767	(374,767)	144.14%
<b>Total</b>	<b>9,329,902</b>	<b>9,416,422</b>	<b>(86,520)</b>	<b>0.93%</b>

## **2.2 Variance Analysis**

**2.2.1** The employees' full year budget is overspent largely as a result of the requirement to bring in interim staff to cover vacancies and sickness along with provision for

termination payments made as part of the management restructure.

**2.2.2** Supplies and services overspend is in relation to the expenditure associated with running Elections and Referendum on behalf of central government. This expenditure was unbudgeted for at the start of the year but corresponding additional income has been received to finance the expenditure.

**2.2.3** Payments to third parties is significantly overspent for the following reasons:

- disbursements incurred by One Legal - this accounts for £194,000 of the overspend, however, all these amounts have been recovered from the client Councils and is shown in the income figure;
- Planning appeal costs; and
- expenditure on Tewkesbury Town Centre and the new leisure centre funded from other sources e.g. planning obligations.

**2.2.4** Transfer payments relate to the Council's activities in relation to the administration of housing benefit on behalf of central government. The outturn position shows a small increase in the quantum of housing benefit paid out during the year to claimants across the Borough but is offset by additional income through the housing benefit subsidy.

**2.2.5** Income targets have far exceeded expectations during the year. External income to offset new Council expenditure - such as the Referendum, legal disbursements, planning obligations and increased benefit payments - has boosted the overall position. This has been helped by solid income streams in a number of areas whilst improved recovery of housing benefit subsidy has had a major impact.

**2.2.6** Commercial and treasury income was boosted by the acquisition of a commercial investment property in Tewkesbury. Additional net income was received in the last quarter.

**2.2.7** Business rates suffered from a large amount of successful appeals and as a result we ended up in a safety net position leading to a £375,000 deficit against budget.

**2.2.8** The reductions in overall revenue reserves totals £1.79M and can largely be attributed to the movement on the business rates reserve which is a technical reserve held for timing differences between collection of business rates and payments of central share to the government.

## **2.3 Balance Sheet**

**2.3.1** The total net worth of the Council, the aggregate value of all of the assets and liabilities in the balance sheet, has increased from £8.9M to £9.9M.

**2.3.2** The increase in net worth is summarised in the Movement in Reserves Statement and there are a number of movements which contribute to this, including:-

- an increase of £21M on Long Term Assets which was mostly down to the £15M

expenditure on the new investment property;

- an increase of £20m in current liabilities, mainly due to the use of monies to fund the investment property purchase;
- total provisions have increased from £2.059M to £3.45M due to an increase in the business rate appeals provision;
- other adjustments include a reduction in the Capital Receipts Reserve of £2.55M as the Council pays the final amounts for the building of the new leisure centre as well as £2.7M for new refuse and recycling vehicles; and
- the pension deficit also increased by £2.85M due mainly to a decrease in the net discount rate over this period which increases the value of any liabilities.

## **2.4 Collection Fund Balances**

**2.4.1** The balance on the Collection Fund for Council Tax at the year-end was a surplus of £1.341M.

**2.4.2** Any balance on the Council Tax Fund will be redistributed amongst the precepting bodies of Gloucestershire County Council, Gloucestershire Police and ourselves, based on a proportion of the total precept demand from each body. £640,000 has already been allocated, based on an estimate of the outturn position in January 2017. The remaining balance of £701,000 will be incorporated in to the 2016/17 estimate of outturn in January 2018.

**2.4.3** The balance on the Collection Fund for Business rates at the year-end was a deficit of (£3.866M).

**2.4.4** This is due to collecting less than estimated before the start of the financial year and also set aside of funds to cover future appeals. Payments are set out before the start of the year. The deficit is allocated to the relevant bodies of Central Government (50%), Tewkesbury (40%) and Gloucestershire County (10%).

## **2.5 Capital Resources**

**2.5.1** The table below sets out the Council's capital resources at 31 March 2017. The total balance is £3.279M including capital grants. However, after allowing for commitments of £5.156M the unallocated budget available for new capital projects is £500,000.

	<b>Usable Capital Receipts (£'000)</b>	<b>Capital Grants (£'000)</b>	<b>Total (£'000)</b>
Balance at 31/03/17	3,107	172	3,279
Capital Commitments - next 5 years	1,607	172	1,779
Balance Available	1,500	0	1,500

**2.5.2** Expenditure on capital projects was £19M in 2016/17 and included £15M on an investment property, £2.7M on new waste and recycling vehicles, £285,000 on community grants and the final £231,000 on the new leisure centre.

- 2.5.3** The Council has borrowed for the first time this year (to fund the £15M investment property) and only in the short term as rates are so low. At the end of the financial year we were borrowing £15M at around 0.4% p.a.

### **3.0 OTHER OPTIONS CONSIDERED**

- 3.1** The Committee can amend the accounts, if required, or not approve them (which would contravene the Accounts and Audit (England) Regulations 2011).

### **4.0 CONSULTATION**

- 4.1** The accounts and supporting documents were available for inspection by any person from 5 June to 14 July 2017; however, no one exercised these rights. The auditor was available during this period to receive questions and objections relating to the accounts from local electors. These opportunities were placed on the Council's website.

### **5.0 ANNUAL GOVERNANCE STATEMENT**

- 5.1** The draft Annual Governance Statement was approved by the Audit Committee at its meeting on 19 July 2017 with no changes being required. The Statement was subject to review by the Council's external auditors to give assurance that it has been produced in compliance with guidance. No amendments have been required and therefore it has been signed off by the Leader of the Council and the Chief Executive and not re-presented to support the Statement of Accounts.

### **6.0 RELEVANT COUNCIL POLICIES/STRATEGIES**

- 6.1** The control and good management of financial resources is essential in order to effectively deliver the Council's priorities.

### **7.0 RELEVANT GOVERNMENT POLICIES**

- 7.1** The Accounts and Audit (England) Regulations 2011

### **8.0 RESOURCE IMPLICATIONS (Human/Property)**

- 8.1** None

### **9.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)**

- 9.1** None

### **10.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)**

- 10.1** The Statement of Accounts is available in a number of different formats depending on the users' needs.

### **11.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS**

- 11.1** Executive Committee on 7 June 2017 approved the inclusion of Earmarked Reserves and the financing of capital expenditure.

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**Background Papers:** None

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**Appendices:** Appendix A – Statement of Accounts