

BROMSGROVE DISTRICT COUNCIL

AUDIT STANDARDS AND GOVERNANCE

23rd July 2018

STATEMENT OF ACCOUNTS 2017/18

| | |
|----------------------------|----------------------------------|
| Relevant Portfolio Holder | Brian Cooper |
| Portfolio Holder Consulted | Yes |
| Relevant Head of Service | Jayne Pickering (Exec Director) |
| Wards Affected | All |
| Ward Councillor Consulted | None specific |

1. SUMMARY OF PROPOSALS

- 1.1 To enable Members to consider the Statement of Accounts 2017/18 and to recommend to Council their approval.

2. RECOMMENDATIONS

- 2.1 That Audit Standards and Governance considers the Statement of Accounts 2017/18, including the Accounting Policies provided on pages 25 to 35, and recommends the approval of the accounts to Council.

3. KEY ISSUES

Financial Implications

- 3.1 None other than those included in this report.

Legal Implications

- 3.2 The Accounts and Audit Regulations 2015 require that the Council complies with statutory accounting legislation and changes.

Service / Operational Implications

- 3.3 The Statement of Accounts were approved by the Executive Director of Finance and Resources by 30th May 2018 and submitted to the External Auditors Grant Thornton on the same day. This met the new statutory date of 31st May for accounts to be submitted. The Statement of Accounts have to be audited and approved by 31st July 2018 which is 2 months early than in previous years to meet the revised statutory timeline.
- 3.4 The Statement of Accounts have been audited by Grant Thornton and their audit opinion is included as an agenda item to this meeting. A copy of the Statement of Accounts are provided as Appendix 1.

3.5 In compliance with International Accounting Standards, the Council needs to disclose the accounting policies it has applied to all material balances and transactions, in compiling the Statement of Accounts. These relate to the accounting practices, as set down in the Code, which all local authorities follow. These are provided on pages 25 to 35 of the Statement of Accounts at Appendix 1.

3.6 Included within the Statement of Accounts there are a number of core financial statements that provide a summary of the financial position of the Council. These are:

3.7.1 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, 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 authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the Statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council. This schedule shows the revenue balances for 2017/18 have increased to £4.789m by £565k and earmarked reserves have reduced by £202k to £3.405m.

3.7.2 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

3.7.3 The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority 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). The second category of reserves is those that the authority is not able to use to provide services. This category 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 Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

3.7.4 The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.

3.8 The Supplementary Financial Statements:

3.8.1 The Collection Fund

The Collection Fund shows the transactions of the Council in relation to the collection of Council Tax, and National Non-Domestic Rates and the way in which these have been distributed to the preceptors (the police, fire authority, county council and parishes). It is a statutory requirement for billing authorities to maintain this account.

3.9 Financial Summary

3.9.1 General Fund Revenue Account

At its meeting on 28th February 2017 Bromsgrove District Council set a net revenue budget of £11.113m (including planned transfers to earmarked reserves). Band D equivalent Council Tax was set at £201.24, a £5 increase on the previous year.

The addition to achieving the 2017/18 saving requirement the Council has increased general fund balances to £4.485m. Details of individual earmarked reserves that have been set aside can be found in the notes to these financial statements.

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A summary of the net expenditure as reported through the management accounts compared with the budget for 2017/18 is shown below:-

| Strategic Purpose | Budget £'000 | Actuals £'000 | Variance £'000 |
|---|-------------------------|--------------------------|---------------------------|
| Keep my place safe and looking good | 4,154 | 4,354 | 200 |
| Help me run a successful business | (681) | (707) | (25) |
| Help me be financially independent | 120 | 135 | 15 |
| Help me to live my life independently | (1) | (45) | (43) |
| Help me find somewhere to live in my locality | 614 | 557 | (57) |
| Provide good things for me to see, do and visit | 897 | 964 | 67 |
| Enable others to work/do what they need to do (to meet their purpose) | 6,165 | 5,699 | (466) |
| Total | 11,268 | 10,957 | (310) |
| Corporate Financing | (11,327) | (11,320) | 7 |
| Surplus | (60) | (363) | (303) |
| Planned use of balances | 261 | 261 | 0 |
| Contribution to reserves | (201) | (201) | 0 |
| Total as reported through management accounts/EFA | 0 | (303) | (303) |

The variances are explained in the narrative statement contained within the Statement of Accounts.

3.9.2 Capital Expenditure

Capital expenditure amounted to £7.8m against a planned budget of £9.3m. The main areas of expenditure were in, Environmental Services replacement of fleet vehicles and plant (£1,387k); Disabled Facilities Grants & Discretionary Home Repairs (£833k) and Leisure and Culture recreation areas for the new leisure centre (£4,854k).

Customer / Equalities and Diversity Implications

3.10 None as a direct result of this report.

4. RISK MANAGEMENT

4.1 The risks associated with the effective and timely delivery of the Statement of Accounts are to be developed further to ensure that a robust plan is in place to address the concerns raised during this Audit.

5. APPENDICES

Appendix 1 – Bromsgrove District Council Statement of Accounts
2017/18

AUTHOR OF REPORT

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