



Statement of Accounts 2016/17 (Draft subject to Audit)

Audit Committee

19th July 2017

To be Covered

- » Purpose and Background of SofA
- » Contents and Overview
- » Responsibility
- » Links to Budget Monitoring Report
- » Headline Figures
- » Changes to SofA for 2016/17
- » Principal Statements
- » SofA Governance Group
- » Progress in addressing prior year issues
- » Timeline and Next Steps
- » Impact of Earlier Deadlines on Materiality

Purpose and Background of SofA

- » Provide clear information to all interested parties about the Council's finances.

- » Information includes:
 - » Costs of providing services in the year of account
 - » How those costs have been funded
 - » Assets and Liabilities at year end

- » Prescribed format and style to enable comparisons with other Local Authorities and other organisations.

- » Aimed at 'the Reader'

Contents and Overview

- » Narrative Report
- » Statement of Responsibilities
- » Core Statements
- » Notes to the Core Statements
- » HRA Statements and Notes
- » Statement of Accounting Policies
- » Group Accounts
- » Clwyd Pension Fund Accounts
- » Independent Auditor's Report
- » Annual Governance Statement

Responsibility

- » **Statement does not belong to Finance**
- » **Corporate document – “owned” by every Member and Officer of the Council**

- » **Statement of Responsibilities**
 - » Authority
 - » Chief Finance Officer

- » **Statement of Accounts is signed by:**
 - » Chair of the Council
 - » Chief Finance Officer

Links to Budget Monitoring

» **Statement of Accounts**

- » Financial Accounting
- » Externally focused reporting
- » Style reflective of the Code of Practice, Regulations, and Accounting Standards.

» **Budget Monitoring**

- » Management Accounting
- » Internally focused reporting on performance against budget
- » Style reflects the Council's reporting needs – locally determined

Headlines – Council Fund

- » Net expenditure of £250.396m
- » Budget £251.991m
- » Spend less than budget by £1.595m
- » Increased by £0.444m to **£2.039m** due Council Tax income being higher than budgeted
- » Variance 0.8% of budgeted expenditure
- » Change to MRP Policy contributed £2.886m to underspend

Headlines – Reserves at Year End

	£m 2015/16	£m 2016/17
Council Fund (Unearmarked) Balance	10.144	10.953
Earmarked Reserves	25.439	18.771
Schools	2.306	1.556
Total	37.889	31.280

Headlines - Capital

	£m	£m	£m	%
	Budget	Outturn	Over / (Under) Spend	Budget v Outturn
Council Fund	36.057	33.582	(2.475)	93%
HRA	29.911	29.911	(0.000)	100%
Total	65.968	63.493	(2.475)	96%

Headlines - HRA

» Revised budget (gross expenditure)	£30.503m
» Spend above budget	£0.950m
» Income above budget	£0.950m
» Net spend above budget	£0.000m
» Closing balance as at 31.3.2017 (General and specific HRA reserves)	£1.642m
» % of revised budgeted expenditure	5.38%

Changes to 2016/17 SofA

- » Format of Comprehensive Income and Expenditure Statement (CI&ES) – presented on service portfolio basis.
- » Expenditure and Funding Analysis (EFA) – shows annual expenditure incurred and how that expenditure has been funded from resources available to the Council.
- » Both CI&ES and EFA presented on service portfolio basis.
- » Difference - CI&ES information follows generally accepted accounting practices

Principal Statements

- » **CI&ES - Shows the cost in year of providing services and how those costs have been funded.**
- » **MIRS - Analysed into 'usable' and other 'unusable' reserves.**
 - » 'usable' can be applied to provide services or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on use. Includes capital and revenue reserves.
 - » 'unusable' reserves hold; unrealised gains and losses, or timing differences.

Principal Statements 2

- » **Balance Sheet - Shows the value as at 31st March of the assets and liabilities held by the Authority**
- » **Net assets matched by total reserves**

	£m	£m
Assets	749	
Liabilities	<u>(705)</u>	
Net Assets	<u>44</u>	
Usable Reserves		48
Unusable Reserves		<u>(4)</u>
Total Reserves		<u>44</u>

Accounts Governance Group

- » Group of senior officers established to oversee and support the production of the Statement of Accounts at a strategic level.
- » Group has been very effective, resulting in positive benefits including:
 - » Ability to raise issues for escalation and resolution at an early stage
 - » Raising awareness of, and increasing collective responsibility for, the SofA
- » Group will continue to meet through the audit period with WAO representation

Progress in Addressing Prior Year Issues

- » Valuation method used to revalue Council Houses - issue related to finding an appropriate valuation method in 2015/16 for use within the accounts only, (no operational impact). Satisfactory method adopted for 2015/16 and future years therefore not an issue for 2016/17.
- » Investigations into the Council's potential liabilities at former waste disposal sites – considerable amount of investigations required given Council's industrial past which are resource intensive, that said positive progress made in year.
- » Accuracy of pension records within the CPF – working closely with employers and prioritising resources to address

Timeline and Next Steps

CFO approves draft accounts	30 th June
Audit Committee considers draft (approval not required at this stage)	19 th July
External audit commenced	1 st July
Accounts Available for Public Inspection	3 rd – 31 st July
Member 'Drop In' Sessions	4 th Sept 10am 7 th Sept 2pm
External audit report findings to those charged with governance and issue opinion (Audit Committee and Council)	27 th September
Final audited SofA approved by Audit Committee (AM) Council (PM)	27 th September
Opinion signed by Auditor General	Late September
Audited SofA published	30 th September

Impact of Earlier Deadlines on Materiality

- » Accountants and Auditors focus on the risk to the SofA of material misstatement
- » Materiality – by value or by nature
- » Material misstatements - those that might result in a reader of the accounts being misled
- » Widely anticipate that deadlines for publishing SofA will be brought forward:

2018/19	Draft 15 th June	Final 15 th Sept
2020/21	Draft 31 st May	Final 31 st July

- » To meet tighter deadlines SofA will have to be produced with more reliance placed on estimated data and the concept of being materially correct.