

DRAFT ANNUAL FINANCIAL REPORT 2018/19

1. Introduction

- 1.1 The Council's statutory Annual Financial Report, which includes 6 Statements of Account, will be presented to this Committee in July, after completion of the external audit (taking place throughout June). Prior to submission for audit, by the deadline of 31 May, it will be signed by the certified Responsible Financial (S151) Officer as complete and presenting the position of the Council, as at 31 March 2019.

2. Purpose of the Report

- 2.1 This report updates Members on progress to achieve the required timetable, to advise Members of key issues in the planned report and to seek Members approval for any changes to Accounting Policies (if applicable).

3. Statement of Accounts Position

- 3.1 The Council is required to include the following accounting statements within the Annual Financial Report:
- 1a) Comprehensive Income and Expenditure Statement
 - 1b) Expenditure and Funding Analysis (in NFDC management format)
 - 2) Movement in Reserves
 - 3) Balance Sheet
 - 4) Housing Revenue Account
 - 5a) Collection Fund – Council Tax
 - 5b) Collection Fund – Business Rates
 - 6) Cash Flow Statement
- 3.2 The draft Accounting Statements for 2018/19, prior to external audit, are set out in Appendices 1 – 6. The Expenditure and Funding Analysis Statement included as appendix 1b, is a supporting statement to the Comprehensive Income and Expenditure Statement.
- 3.3 The full Draft Unaudited Annual Financial Report will be made available on the Council's Website by the close of business on 31/05/19. Should any member of the Audit Committee wish to raise any queries on the statement before the July Committee meeting, the contact details for the Council's Head of Finance are included at the foot of this report.

4. Accounting Policy Changes and Other Key Issues

- 4.2 There has been no requirement to change any Accounting Policies for 2018/19.
- 4.3 Previous years' reports highlighted changes to the Business Rates Retention scheme that took place in April 2013 and the need for the Council to hold a provision for anticipated successful appeals against rating assessments. As at 1 April 2018 the total

provision was £8.415 million, of which the Council's share totalled £3.366 million (40%). Table 1 confirms the movements in the provision during 2018/19, and the revised balances as at 31 March 2019:

Table 1	Total £'000	NFDC £'000
Appeal Provision 1 April 2018	(8,415)	(3,366)
Additional Provisions Made 2018/19	(3,390)	(1,356)
Amounts Used 2018/19	1,830	732
Appeal Provision 31 March 2019	(9,975)	(3,990)

5. Summary of Financial Position

5.1 The Comprehensive Income and Expenditure Statement and Balance Sheet show the value of the Council's net worth to have increased by £17.697 million during 2018/19 (of which £1.604 million is usable as shown below). The value of net assets held by the Council now totals £284 million. The principal reasons and the breakdown of this year-on-year increase between the various reserves are summarised as follows:

		£'000		
Net Increase in PPE Assets	5,561	<div style="display: flex; align-items: center;"> <div style="border-left: 1px solid black; border-right: 1px solid black; width: 10px; height: 100%;"></div> <div style="padding: 0 5px;"> <p>3,386 Council Dwellings</p> <p>3,036 Other Land and Buildings</p> <p>(526) Vehicles, Plant and Equipment</p> <p><u>(335)</u> Infrastructure</p> </div> </div>		
Assets Under Construction	3,627			
Increase in valuation of Investment Property	486			
Increase in Long-Term Investments	9,602			
Decrease in Short-Term Investments	(9,919)	5,561		
Reduction in Assets Held For Sale	(2,493)			
Decrease in Short-Term Debtors	(583)			
Decrease in Short-Term Creditors	1,632			
Increase in Cash and Cash Equivalents	1,322			
Decrease in Long-Term Borrowing	4,300			
Increase in Provisions	(658)			
Decrease in Pensions Liability	4,932			
Net Other	<u>(112)</u>			
	17,697			
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	Usable Reserves		Unusable Reserves	
Earmarked Reserves	(685)		2,228 Revaluation Reserve	
Capital Programme Reserve	149		9,499 Capital Adjustment Account	
Capital Receipts Reserve	(114)		108 Available For Sale Financial Instruments Reserve	
Community Infrastructure Levy Unapplied	1,817		(9) Financial Instruments Revaluation Reserve	
Developers' Contributions Unapplied	437		1 Deferred Capital Receipts Reserve	
			4,932 Pensions Reserve	
			(577) Collection Fund Adjustment Account	
			<u>(89) Accumulating Absences Adjustment Account</u>	
	<u>1,604</u>		<u>16,093</u>	

5.2 The Council's Balance Sheet shows a net pension liability of £90.092 million; a decrease of £4.932 million from 31 March 2018. Whilst this has a substantial impact on the net worth of the Council, as recorded in the Balance Sheet, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy,

as the deficit on the scheme will be made good by increased contributions over the working lives of employees. The Pension Fund actuary will be conducting their 3 yearly actuarial review during 2019/20, the result of which will determine the employer contributions for the next 5 years.

- 5.3 The 2018/19 original net budget requirement for the General Fund was £17.243 million, an increase of £656,000 from 2017/18. The Council's budget anticipated utilising £891,000 from Reserves (principally to fund the anticipated ICT 'Protect and Maintain Frontline Services' programme), contributing £840,000 to the Business Rate Equalisation Reserve and provided for a £5 increase in Council Tax.
- 5.4 Net savings, efficiencies and improved income in Services in the year were £1.279 million, a one-off business rates refund of £720,000 was received and Interest Earnings were £246,000 ahead of the original target. Retained business rates were £602,000 ahead of the original budget; this has been credited to the Business Rates Equalisation Reserve. Overall the net variations against the original budget and refund enabled a transfer into the Capital Programme Reserve of £1.044 million (a difference of £1.748 million from the £704,000 originally anticipated to be utilised from the Capital Reserve).
- 5.5 The Housing Revenue account surplus for 2018/19 was £69,000 compared with an originally budgeted break-even position. Income was £162,000 greater and Repairs and Maintenance spend £151,000 higher than originally budgeted. There was a reduced level of Supervision & Management expenditure in comparison to the original budget. The balance on the account as at 31 March 2019 was £1 million, after allowing for the transfer of £69,000 to the earmarked Housing Acquisitions and Developments Reserve. The budget for 2019/20 anticipates a break-even position for the year.
- 5.6 The original Capital Programme for 2018/19 (including the gross value of the Coastal Regional Monitoring Programme) was £26.225 million. This was initially supplemented by rephasings of £1.760 million from 2017/18. A review of the programme during the year as reported through Financial Monitoring decreased the approved budget to £23.226 million. Actual expenditure of £22.617 million was £609,000 less than the last approved budget, predominately in relation to scheme rephasings to 2019/20.
- 5.7 The strategy to increase our longer term investments in a variety of pooled funds has continued in 2018/19. A movement of £10 million can be seen on the balance sheet from Short Term to Long Term investments. Interest earnings have increased to £1.148 million in 2018/19 in comparison to £820,000 in 2017/18. The balance on the Available for Sale Financial Instrument reserve as at 31/03/19 is a credit of £181,000, representing the net capital appreciation on the pooled fund investments since their acquisition (an increase of £108,000 from the 31/03/18 balance).

6. Recommendations

- 6.1 That Members note the draft Accounting Statements set out in Appendices 1-6 which are a summary of the Annual Financial Report that will be certified by the Responsible Financial (S151) Officer for the submission to the external auditor by the deadline of 31 May.

For Further Information Please Contact:

Alan Bethune

Head of Finance (S151)

Telephone: (023) 8028 5588

E-mail: Alan.Bethune@nfdc.gov.uk