

DRAFT ANNUAL FINANCIAL REPORT 2016/17

1. Introduction

- 1.1 The Council's statutory Annual Financial Report, which includes 6 Statements of Account, will be presented to this Committee in August, after completion of the external audit (taking place throughout July). Prior to submission for audit, by the deadline of 30 June, it will be signed by the certified Responsible Financial (S151) Officer as complete and presenting the position of the Council, as at 31 March 2017.

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 2016/17, prior to external audit, are set out in Appendices 1 – 6.

4. Accounting Policy Changes and Other Key Issues

- 4.1 There has been no requirement to change any Accounting Policies for 2016/17.
- 4.2 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 2016 the total provision was £12.025 million, of which the Council's share totalled £4.810 million (40%). The table below confirms the movements in the provision during 2016/17, and the revised balances as at 31 March 2017:

	Total	NFDC
	£'000	£'000
Appeal Provision 1 April 2016	(12,025)	(4,810)
Amounts Used 2016/17	4,465	1,786
Unused Amounts reversed 2016/17	1,595	638
Appeal Provision 31 March 2017	(5,965)	(2,386)

- 4.3 The strategy to increase our longer term investments in a variety of pooled funds has continued in 2016/17. Despite a reduction in the base rate from August 2016, interest earnings have increased to £670,000 in 2016/17 at an average yield of 0.96%, in comparison to £630,000 in 2015/16 (0.91%).
- 4.4 The deadline for completion of the Annual Statement of Accounts is 31 May from 2017/18. The Accountancy team undertook a trial run of this date for the completion of the 2016/17 accounts. Final adjustments were completed by 8 June, so although not quite in line with the revised trial timetable, still represents a considerable reduction in time as against the previous deadline (30 June).

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 £46.486 million during 2016/17 (of which £7.477 million is usable as shown below). The principal reasons and the breakdown of this increase between the various reserves are summarised as follows:

	£ million	
Net Increase in PPE Assets	48.059	
Increase in Short Term Investments	7.079	
Increase in Short Term Debtors	1.116	
Increase in Short Term Creditors	(1.924)	
Decrease in Provisions	2.514	
Increase in Pensions Liability	(10.075)	
Net Other	<u>(0.283)</u>	
	46.486	
	↙ ↘	
	Usable Reserves	Unusable Reserves
Earmarked	4.271	12.412 Revaluation Reserve
HRA Balance	(0.043)	35.473 Capital Adjustment Account
Capital Programme	2.337	0.113 Available For Sale Financial Instruments
Capital Receipts	0.189	0.056 Deferred Capital Receipts
CIL	0.507	(10.075) Pensions Reserve
Developers' Contributions	0.216	0.996 Collection Fund Adjustment Account
		0.034 Accumulating Absences Adjustment Account
	<u>7.477</u>	<u>39.009</u>

- 5.2 The increase in the value of PPE assets is principally down to an increase in the value of Council Dwellings (£45.307 million), due to two elements;
1. The Beacon Indices applied to all Council Dwellings as deduced by the Council's Valuer was 11% for the year.
 2. The Social Housing Existing Use Valuation percentage has increased to 33% in 2016/17, in comparison to 32% used over the previous years, resulting in a lower discount factor from full market value, therefore increasing the net book value.
- 5.3 The net Pensions Liability has increased as a result of the actuarial review of Pension Fund assets and liabilities undertaken in 2016/17. As a result, the Council's employer contributions are set to increase by 1% per annum between 2017/18 and 2020/21.

- 5.4 There were service variations in the year against the original General Fund budget of £3.108 million (a slight increase from the position as included in the annual performance report @ £3.084 million), and other savings of £145,000. Additional Business Rates collected during 2016/17 resulted in an increase in redistribution payments of £557,000. The originally budgeted contribution from reserves to the revenue budget of £389,000 was not required. The overall General Fund performance for the year has enabled a net transfer of £2.337 million into the Capital Programme reserve.
- 5.5 In response to the significant reduction in government funding experienced in recent years and anticipated in the years ahead, the Council undertook a review of Senior Management during 2015/16. Each newly appointed Service Manger has then in turn conducted a fundamental review of their service areas, with all initial reviews completed during 2016/17. This transition increased costs of one-off Termination Benefits as set out in the notes within the full Annual Financial Report, but was necessary to meet the future budget requirement of the Council. These costs were met from the savings in budget identified during 2016/17.
- 5.6 The Housing Revenue account surplus for 2016/17 was £4.175 million compared with an originally budgeted break-even position. This was mainly due to a reduction of £3.127 million in the revenue contribution to fund capital expenditure, due to rephasing of capital schemes and a higher level of the programme being funded by Capital Receipts and Developers' Contributions, in order to maximise resources. In addition, there was an under-spend of £534,000 in maintenance costs, £426,000 savings in supervision and management costs and other net budget savings were £88,000. The balance on the account as at 31 March 2017 was £1 million, after allowing for the transfer of £4.143 million to the earmarked Housing Acquisitions and Developments Reserve and £75,000 to the ICT Reserve. The budget for 2017/18 anticipates a break-even position for the year.

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 30 June.

For Further Information Please Contact:

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