

DRAFT ANNUAL FINANCIAL REPORT 2017/18

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 July). 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 2018.

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 2017/18, 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 31/05/18. 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

- 4.1 From 2017/18, Council Dwelling depreciation can no longer be matched to expenditure incurred under the Major Repairs Allowance (MRA). The revised policy requires dwellings to be depreciated using a compensation approach, taking into account the main elements of the building, including the substructure, roof, structure, windows, bathroom, kitchen and boiler. Each element is depreciated, taking into account the

expected average useful life, and the remaining average useful life. The depreciation charge can still be reversed to the MRA, and in effect utilised to offset the MRA expenditure.

- 4.2 There has been no requirement to change any other Accounting Policies for 2017/18.
- 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 2017 the total provision was £5.965 million, of which the Council's share totalled £2.386 million (40%). Table 1 confirms the movements in the provision during 2017/18, and the revised balances as at 31 March 2018:

Table 1	Total £'000	NFDC £'000
Appeal Provision 1 April 2017	(5,965)	(2,386)
Additional Provisions Made 2017/18	(3,100)	(1,240)
Amounts Used 2017/18	650	260
Appeal Provision 31 March 2018	(8,415)	(3,366)

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 £2.551 million during 2017/18 (of which £1.132 million is usable as shown below). The principal reasons and the breakdown of this increase between the various reserves are summarised as follows:

	£'000	
Net Increase in PPE Assets	3,648	
Net Increase in Investment Property	2,162	
Increase in Long Term Investments and Debtors	883	
Asset Held for Sale	1,950	
Increase in Short Term Debtors	1,441	
Increase in Short Term Creditors	(3,201)	
Decrease in Long-Term Borrowing	4,301	
Increase in Provisions	(695)	
Increase in Pensions Liability	(8,368)	
Net Other	430	
	2,551	
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	Usable Reserves	Unusable Reserves
Earmarked Reserves	1,117	2,562
Capital Programme Reserve	333	7,053
Capital Receipts Reserve	(1,646)	(180)
Community Infrastructure Levy Unapplied	1,503	(13)
Developers' Contributions Unapplied	(175)	(8,368)
	1,132	352
		13
		1,419
		Revaluation Reserve
		Capital Adjustment Account
		Available For Sale Financial Instruments Reserve
		Deferred Capital Receipts Reserve
		Pensions Reserve
		Collection Fund Adjustment Account
		Accumulating Absences Adjustment Account

- 5.2 The increase in the value of PPE assets is principally down to Assets Under Construction, being the development of the Comptum and Sarum site into Social Housing, and the acquisition of Properties at Alexander Road, both of which are set to complete in 2018/19.
- 5.3 In 2017/18, the Council made its first acquisition of investment property for several years, in line with the strategy adopted in February 2017. The Fair Value of the asset is now included on the balance sheet (the significant part of the £2.162 million growth as shown above) and the income collected reflected in the Income and Expenditure statement.
- 5.4 The Council's Balance Sheet shows a net pension liability of £95.024 million, an increase of £8.368 million from 31 March 2017. 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.
- 5.5 The 2017/18 original net budget requirement for the General Fund was £16.587 million, a decrease of £604,000 from 2016/17. The Council's budget anticipated utilising £938,000 from Reserves (principally to fund the anticipated ICT 'Protect and Maintain Frontline Services' programme) and provided for a £5 increase in Council Tax.
- 5.6 Net savings, efficiencies and improved income in Services in the year were £1.671 million, and Interest Earnings were £329,000 ahead of the original target. Retained business rates were £113,000 ahead of the original budget; this has been credited to the new Business Rates Equalisation Reserve (in line with the April Cabinet Financial Monitoring Report). Overall the net savings enabled a transfer into the Capital Programme Reserve of £1.593 million (a difference of £2.342 million from the £749,000 originally anticipated to be utilised from the Capital Reserve).
- 5.7 The Housing Revenue account surplus for 2017/18 was £1.812 million compared with an originally budgeted break-even position. This was mainly due to a change in the financing arrangements for Disabled Facilities Grants, and a reduced level of expenditure in Repairs & Maintenance and Supervision & Management budgets in comparison to the original budgets. The balance on the account as at 31 March 2018 was £1 million, after allowing for the transfer of £1.748 million to the earmarked Housing Acquisitions and Developments Reserve and £64,000 to the ICT Reserve. The budget for 2018/19 anticipates a break-even position for the year.
- 5.8 The original Capital Programme for 2017/18 (including the gross value of the Coastal Regional Monitoring Programme) was £21.266 million. This was initially supplemented by rephasings of £1.892 million from 2016/17. A review of the programme during the year increased the approved budget by £1.260 million to £24.418 million. The latest revised budget, only including the element of the Regional Monitoring Programme relevant to NFDC, was £22.737 million. Actual expenditure of £23.237 million was £500,000 more than the last approved budget, predominately in relation to the Housing Acquisition Programme.
- 5.9 The strategy to increase our longer term investments in a variety of pooled funds has continued in 2017/18. Interest earnings have increased to £820,000 in 2017/18 at an average yield of 1.02%, in comparison to £670,000 in 2016/17 (0.96%). The balance on the Available for Sale Financial Instrument reserve as at 31/03/18 is a credit of

£73,000, representing the net capital appreciation on the pooled fund investments since their acquisition (a reduction of £180,000 from the 31/03/17 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.
- 6.2 That Members approve the revised depreciation policy applicable to Council Dwellings.

For Further Information Please Contact:

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