

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

03 July 2017

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 STATEMENT OF ACCOUNTS 2016/17

This report presents an unaudited set of Accounts for 2016/17 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 for consideration and approval. The Accounts include the adjustments in light of the outturn position set out in the Revenue and Capital Outturn 2016/17 report to Cabinet on 28 June 2017.

1.1 Introduction

- 1.1.1 An audited set of Accounts for 2016/17 must be approved by the Council or a Committee of the Council by 30 September 2017 (and from 2017/18 by 31 July). Under the Council's Constitution responsibility for the approval of the Statement of Accounts is delegated to this Committee. The Committee has a meeting scheduled for the 4 September to approve an audited set of Accounts.
- 1.1.2 This report presents an unaudited set of Accounts for 2016/17 for consideration and approval. Owing to the bringing forward of when the accounts must be approved in future the Committee will receive an audited set of Accounts towards the end of July for approval only.

1.2 Statement of Accounts

- 1.2.1 The Accounts are to be prepared in accordance with International Financial Reporting Standards. The Code of Practice on Local Authority Accounting in the United Kingdom is issued by the Chartered Institute of Public Finance and Accountancy and is reviewed and as appropriate updated at least annually. There have been a few changes to the presentation of the accounts most notably the introduction of an Expenditure and Funding Analysis and the cost of services reported on basis of the Council's organisational structure rather than the Service Reporting Code of Practice.
- 1.2.2 An unaudited set of Accounts for 2016/17 is enclosed with this agenda. It consists of the following individual financial statements and associated notes.

- 1) Comprehensive Income and Expenditure Statement – this Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement.
 - 2) Movement in Reserves Statement – this Statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (those that can be applied to fund expenditure and or reduce local taxation) and other reserves (those that the Council is not able to use to provide services, for example, the revaluation reserve).
 - 3) Balance Sheet – sets out the financial position of the Council at 31 March 2017. It shows the value of the Council’s assets and liabilities, and its balances and reserves.
 - 4) Cash Flow Statement – this summarises the inflows and outflows of cash and cash equivalents for both revenue and capital purposes.
 - 5) Notes to the financial statements.
 - 6) Collection Fund and Associated Notes – shows the total local taxation transactions in relation to business rates and council tax.
- 1.2.3 At **[Annex 1]** is a more detailed overview of the Statement of Accounts and at **[Annex 2]** a checklist certified by the Director of Finance and Transformation in support of the assertions made in the Statement of Responsibilities for the Statement of Accounts.
- 1.2.4 Members will note in accordance with the Accounts and Audit Regulations and in my role as the Council’s responsible financial officer, I have certified that the Statement of Accounts present a “true and fair view” of the financial position of the local authority at the end of the year and its income and expenditure for the year.
- 1.2.5 The Statement of Accounts is subject to external audit and our external auditors commenced the audit of the Accounts in mid-June.

1.3 Accounts and Audit Regulations

1.3.1 The Accounts and Audit Regulations require:

- The Council’s responsible financial officer to certify an unaudited set of accounts for issue that present a “true and fair view” of the financial position of the Council as at 31 March 2017 and its income and expenditure for the year ended 31 March 2017 by no later than 30 June (and from 2017/18 by 31 May).
- The responsible financial officer and Members to certify / approve an audited set of accounts for publication by no later than 30 September (and

from 2017/18 by 31 July) and that following approval both the responsible financial officer and Chairman of the receiving Committee sign and date the Statement of Accounts.

- Authorities to have in place a sound system of corporate governance and that an Annual Governance Statement is to accompany, but is not part of the Accounts.

1.4 Statement of Auditing Standards

1.4.1 Our External Auditor (Grant Thornton) is required to issue a report to those charged with governance covering, amongst other things, the outcome of the audit of the Accounts. Under the Council's Constitution it is the Audit Committee that will receive this report. The report is expected to be presented to the Audit Committee meeting on 4 September 2017.

1.5 Revenue and Capital Outturn 2016/17

1.5.1 Cabinet, at its meeting on 28 June, received a report on the Revenue and Capital Outturn for the year 2016/17. That report and the associated Outturn Booklet contain details of variations between the 2016/17 revised estimates and outturn.

1.5.2 Members were advised at this meeting that overall, the revenue outturn is within budget to the sum of £43,153 with a contribution to the General Revenue Reserve of £908,903 compared with the Revised Estimate figure of £865,750.

1.5.3 The favourable variance can in part be attributed to management savings on the salary bill and better than budgeted performance in our major operational income streams offset by the contribution to two specific earmarked reserves detailed below.

1.5.4 Members were also advised that we had as part of the closedown process undertaken a review of the specific earmarked reserves held by the Council. As a result of this review and in liaison with Management Team Cabinet was asked to note and endorse that:

- The sum of £200,000 is added to the Invest to Save reserve to fund initiatives to reduce costs and or generate income.
- The sum of £120,000 is added to the Tonbridge & Malling Leisure Trust reserve established in recognition of obligations on the Council that could be called on under the agreement with the Trust.

1.5.5 **[Annex 3]** provides details of movements on the special projects reserve, other earmarked reserves and minor revenue adjustments agreed by the Director of Finance and Transformation during the closedown process.

1.6 Annual Governance Statement

- 1.6.1 The Annual Governance Statement can be found elsewhere on this agenda. The Statement accompanies the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation. Governing is about how local government bodies ensure they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.
- 1.6.2 The Statement is prepared by way of a self-assessment questionnaire and supporting evidence. The Statement is to be signed by both the most senior Member and officer of the Council.

1.7 Legal Implications

- 1.7.1 Compliance with the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting in the United Kingdom is a statutory requirement. There are a number of legislative requirements to consider in the preparation and publication of the Statement of Accounts which will be addressed as we move through the closedown process.

1.8 Financial and Value for Money Considerations

- 1.8.1 As set out above.

1.9 Risk Assessment

- 1.9.1 The Statement of Accounts is a statutory document and, therefore, failure to prepare and publish the Accounts in accordance with proper accounting practice and within the statutory timescales could adversely affect the Council.

1.10 Equality Impact Assessment

- 1.10.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.11 Recommendations

- 1.11.1 To note the Statement provided by the Director of Finance and Transformation **[Annex 2]** in support of assertions made in the Statement of Responsibilities for the Statement of Accounts.
- 1.11.2 To note the recommendations detailed at paragraph 1.5.4 following a review of the specific earmarked reserves held by the Council.
- 1.11.3 To receive and approve the enclosed unaudited set of Accounts for 2016/17 and request that the Chairman sign the Accounts in the appropriate place.

Background papers:

Investment information provided by King & Shaxson
Pension information provided by Barnett Waddingham
Valuation/Impairment information provided by BPS
Chartered Surveyors

contact: Neil Lawley
Paul Worden

Sharon Shelton
Director of Finance and Transformation