

**Statement of Accounts 2017 /18– Explanatory Notes**

**1. Introduction**

- 1.1 This paper supports the report and statutory Statement of Accounts presented to Corporate Governance and Audit Committee for approval. It provides explanations and commentary on the main issues within the accounts to facilitate robust scrutiny and challenge of the accounts prior to approval.
- 1.2 The purpose of the Statement of Accounts is to give the public, councillors, employees, other stakeholders and interested parties clear information about the Council's finances. In summary the accounts should show:
- The cost of the services provided by the Council over the year
  - Where the money came from to pay for these services
  - The Council's assets and liabilities at the end of the financial year.
- 1.3 The accounts have been compiled using the "Code of Practice on Local Authority Accounting in the UK 2017/18: Based on International Financial Reporting Standards (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.4 There are no changes to the accounts as a result of changes in accounting standards introduced in the year.

**2. Narrative Report**

- 2.1 The purpose of the Narrative Report is to provide an easily understandable guide to the most significant matters reported in the accounts. It includes details of:
- The statements included in the accounts.
  - A summary of the Councils revenue income and expenditure for the year and variances against the previous year's figures.
  - A summary of capital expenditure and how this was financed.
  - Changes to accounting policies and practice.
  - Any other significant matters.

**3. Statement of Responsibilities for the Statement of Accounts**

- 3.1 This statement sets out the various responsibilities for the accounts:
- The Council's responsibilities under local government legislation.
  - The (Acting) Service Director- Finance, IT and Transactional Services legal and professional responsibilities.
- 3.2 This statement must be signed by the (Acting) Service Director- Finance, IT and Transactional Services (s151).

#### 4. Comprehensive income and Expenditure Statement (CIES)

4.1 The purpose of the Comprehensive Income and Expenditure Statement is to show 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 (council tax).

- Expenditure and income directly related to the services provided by the Council (Net total £319,312k).
- Expenditure and income not directly attributable to services but to the Council as a whole (When added to the Net Cost of Services above this totals £341,263k).
- Income received in respect of general government grants and local taxation (Bringing the overall net total on provision of Services to £11,247k).
- Other Comprehensive Income and Expenditure (£65,030k). (Bringing the overall total of Comprehensive Income and Expenditure to (£53,783k)).

The total on this statement represents the net surplus or deficit on the Council's provision of services for the year.

The figures below are taken directly from the CIES and do not take in to account the 'adjustments between accounting and funding basis under regulations'. These are technical adjustments made to 'remove' certain accounting treatments that are required by International Financial Reporting standards (IFRS) but by law, taxpayers should not meet the cost of.

| Description                                | 2016/17<br>£k | 2017/18<br>£k | Variance<br>£k | Comment   |
|--|---------------|---------------|----------------|---|
| Cost of Services                           | 395,052       | 319,312       | (75,740)       | £39m reduction in Adult Social Care and an £81m reduction in HRA expenditure offset by a £31m increase in central budgets.  |
| Other Operating Expenditure                | 52,223        | 9,441         | (42,782)       | £43m decrease in losses on disposals of non-current assets  |
| Other Comprehensive Income and Expenditure | 19,639        | (65,030)      | (84,669)       | £108m gain on Remeasurement of Net Defined Benefit/ Liability (Pension liability) due to changes in Actuarial assumptions. £23m impairment loss on revaluation of non-current assets. |

## 5. Balance Sheet

5.1 The purpose of the balance sheet is to show what the Council's assets and liabilities are at the end of the year.

| Description                 | 2016/17<br>£k | 2017/18<br>£k | Variance<br>£k | Comment  |
|-----------------------------|---------------|---------------|----------------|--|
| Property Plant & Equipment. | 1,362,348     | 1,339,568     | (22,780)       | £2.7m assets reclassified as Held for Sale and disposals in year of £12.4m (including schools transferring to Academies)   |
| Investment Property         | 95,465        | 118,355       | 22,890         | £23.4m increase in fair value.   |
| Short Term Borrowing        | (42,404)      | (25,250)      | 17,154         | Reduced requirement for short-term borrowing as part of treasury management strategy.  |
| Short Term Creditors        | (68,893)      | (81,099)      | (12,206)       | £12.9m increase in Other Entity & Individuals creditor and a £1.3m increase in Central Government creditors mainly relating to Collection Fund balances.   |
| Other Long Term Liabilities | (680,142)     | (638,142)     | 42,000         | £37.7m reduction in the Pensions Creditor (incorporating a £135m increase in the fair value of assets offset by a £100m increase in the value of liabilities as a result of actuarial revaluations) and a £5m reduction in Deferred Liabilities (PFI). |
| Usable Reserves             | (166,515)     | (185,058)     | (18,543)       | £1.3m reduction in General Fund balances, £8.3m increase in HRA, £4.2m increase in Capital Receipts reserve and £6.9m increase in Capital Grants Unapplied.  |
| Unusable Reserves           | (260,976)     | (296,216)     | (35,240)       | £37.7m decrease in the Pensions reserve (see above), £10.5m increase in the Revaluation reserve, £8m decrease in the Capital Adjustment Account  |