

**REPORT FOR:****Governance, Audit, Risk  
Management and Standards  
Committee (GARMS)**

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**Date:**

18 July 2017

**Subject:****INFORMATION REPORT**  
Draft Statement of Accounts 2016-17**Responsible Officer:**

Dawn Calvert, Director of Finance

**Exempt:**

No

**Enclosures:**Appendix 1: Draft Statement of Accounts 2016-17  
Appendix 2: Draft Pension Fund Annual Report 2016-17**Section 1 – Summary and Recommendations**

This report sets out the draft Statement of Accounts and Pension Fund Annual Report for 2016-17.

**Recommendations:**

The Committee is asked to consider and note the draft Statement of Accounts and Pension Fund Annual Report for 2016-17.

**Reason:**

To provide the Committee with the draft Statement of Accounts and Pension Fund Annual Report for 2016-17.

## **Section 2 – Report**

### **Background**

1. The Accounts and Audit (England) Regulations 2015, require Local Authorities to prepare Statement of Accounts in accordance with proper practices. This is the last financial year that the regulations require that the Accounts are prepared by 30th June and approved and published by 30th September after the end of the financial year.
2. The 2015 Regulations require the audited accounts to be submitted to the 'relevant body' for approval by 30<sup>th</sup> September. At Harrow, the relevant body nominated to receive and approve the accounts is the GARMS Committee. Whilst there is no legal requirement to submit draft accounts for consideration by the Committee, the Council does so to give the Committee the opportunity to review the draft Accounts in detail before being asked to approve the audited Statement of Accounts in September 2017.
3. The reporting of the Statement of Accounts is a major part of the strategic principle of providing proper management and stewardship of all the Council's resources. The Accounts have been prepared in accordance with proper accounting practices and relevant statutory requirements as set out in the following:-
  - a. The Code of Practice on Local Authority Accounting in the United Kingdom 2016-17;
  - b. All relevant International Financial Reporting Standards (IFRS).

### **Current Position**

4. The Council's accounts for 2016-17 are now closed subject to any audit adjustments. The Authority met the statutory deadline of 30<sup>th</sup> June but put in place an accelerated closedown timetable to have the accounts signed by the Director of Finance earlier (9<sup>th</sup> June 2017) as a stepping stone for next years earlier deadline of 31<sup>st</sup> May. In addition the comprehensive schedule of required working papers has been provided to the External Auditor ahead of the agreed audit start date of 26<sup>th</sup> June 2017.
5. Members are reminded that a GARMS Committee meeting is scheduled for the 5<sup>th</sup> September 2017 to consider and approve the audited Statement of Accounts. The audited accounts presented at this meeting will incorporate any amendments agreed by the external auditor and the Council. The auditor will attend the meeting and present their External Audit Report for 2016-17. The accounts are due to be signed off by the external auditor by the statutory deadline of 30<sup>th</sup> September 2017.

6. The Public Inspection of the accounts takes place from 20<sup>th</sup> June 2017 until 31<sup>st</sup> July 2017.

## Accounts Summary

7. The **Narrative Report** includes the performance of the Council and provides an outlook for the future which is summarised below:-
  - a. **Revenue:** the Council delivered its services within the approved budget of £165m. The General Fund balance has been kept at £10m. Earmarked reserves have increased by £5.5m to £28.4m mainly due to the amount of Community Infrastructure Levy (CIL) collected;
  - b. **Capital:** Actual spend was £90m. This was mainly funded from use of internal cash balances (£56m) with the remaining £34m funded by grants, revenue contributions and capital receipts; and
  - c. **Outlook:** The Medium Term Financial Strategy 2017-18 to 2019-20 has identified the need to make savings of £31m over the coming three years. In addition, Council services face additional demands and cost pressures. To meet the budget of £165m set for 2017-18, a 4.99% rise in Council Tax has been approved.
8. The **Expenditure and Funding Analysis** is a new statement for 2016-17 which compares the outturn shown in the Narration Report with true economic cost of providing services valued in accordance with proper accounting practices as shown in the Comprehensive Income and Expenditure Statement. The differences between the outturn and CIES are mainly capital items and IAS19 pension costs.
9. The **Comprehensive Income and Expenditure Account (CIES)** shows the true economic cost of providing Council services. The surplus reported for the year is £87m. The surplus is due to items that do not impact on the General Fund, the largest being the upward revaluations of property assets of £86m.
10. However, under the statutory regulations some CIES costs (e.g. depreciation, impairments, IAS 19 costs, etc.) are not taken into account when setting the Council Tax and Dwelling Rents. These are reversed in the **Movement in Reserves Statement** which summarises the Council's total usable and unusable reserves. The usable reserves balance has increased by £14m due mainly to a £10m increase in the unspent balance of capital maintenance grants for schools received from the Department for Education. In addition, earmarked reserves have increased by the £5.5m of CIL money and school balances have decreased by £3.1m.
11. The **Balance Sheet** sets out the financial position of the Council as at 31<sup>st</sup> March 2017. The overall increase in net assets of £87m is mainly due to the impact of rising property prices on the value of Council Dwellings and the Property Portfolio. The short term creditors balance has increased by £14m mainly due to a £4.5m increase in the DCLG

shares of business rates debtors and collection fund surplus and a £3m increase in capital creditors. There was also a change in the liquidity ratio from 1.4 in 2015-16 to 1.0 in 2016-17 mainly due to the use of internal cash balances to fund the capital programme as explained in paragraph 7b above.

12. The **Cash Flow** statement shows how the Council generates and uses cash.
13. The **Housing Revenue Account (HRA)** shows the true economic cost of providing housing services. The surplus reported for the year is £6.6m. This is due mainly to profit from the sale of HRA assets.
14. The **Collection Fund** statement shows a net carry forward surplus of £10.2m made up of Council Tax £5.4m and Business Rates £4.8m. The surplus is paid out as additional precepts to the Council, Central Government and the Greater London Authority in future years.
15. The net assets of **Pension Fund** at year end are £807m. This is an increase of £146m over the previous year reflecting mainly the rise in the market value of investments of £141m.

#### **New Statutory Deadlines for Draft Accounts and Completion of Audit**

16. Going forward there are new statutory deadlines within the Accounts and Audit (England) Regulations 2015 for the production of the draft statement of accounts and the audit of those accounts.
17. The 2017-18 draft Statement of Accounts must be available by 31<sup>st</sup> May 2018, and the audit of those accounts completed by 31<sup>st</sup> July 2018.
18. The public Inspection period covers 30 working days and must include the first 10 working days of June.
19. For next year (and then going forward), Members of the GARMS Committee will be provided with a copy of the draft Statement of Accounts at the start of June. Any questions raised will need to be sent to the Director of Finance. Discussions will be held with this Committee on the options of ensuring that the Accounts are approved in accordance with the new deadlines from July 2018.

#### **Financial Implications**

20. There are no direct financial implications arising from this report.

#### **Risk Management Implications**

21. There are no risk implications.

#### **Equalities Implications**

22. There are no equalities implications.

#### **Corporate Priorities**

23. The Statement of Accounts provides assurance that the Council has managed and delivered its finances in accordance with its approved plans and budget.

### **Section 3 – Statutory Officer Clearance**

Name: Dawn Calvert



Director of Finance

Date: 5<sup>th</sup> July 2017

### **Section 4 - Contact Details and Background Papers**

**Contact:** Technical Finance and Accountancy (Tel: 0208 424 1335 – internal 2335)

**Background Papers:** None