

Statement of Accounts 2017/18 – Explanatory Notes

1 Introduction

- 1.1 This paper supports the report and statutory Statement of Accounts presented to Audit Committee for approval. It provides explanations and commentary on the main issues within the accounts.
- 1.2 The purpose of the Statement of Accounts is to give stakeholders 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" (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2 Narrative Statement

- 2.1 The Narrative Statement seeks 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 Council's 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 Chief Finance Officer's legal and professional responsibilities.
- 3.2 This statement must be signed by the Chair of the meeting which approves the accounts and the Chief Finance Officer.

4 Movement in Reserves Statement

- 4.1 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 or reduce local taxation) and other reserves or “unusable reserves”. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council’s services. These are different from the statutory amounts that are required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes.

Description	2016/17 £'000	2017/18 £'000	Variance £'000	Comment
(Surplus) / Deficit on Provision of Services	(44,705)	(24,862)	19,843	See paragraph 5.2.
Other Comprehensive Income & Expenditure	(3,642)	(10,862)	(7,220)	A significant element of the £10,862k relates to the upward revaluation of fixed assets, primarily Council Dwellings of £9,687k. This revaluation does not create real cash gains, however under accounting guidance they need to be credited to the Income and Expenditure Account.
Total Comprehensive Income & Expenditure	(48,347)	(35,724)	12,623	
Balance on Total Authority Reserves at 31 March	(126,293)	(162,017)	(35,724)	This represents the increase in the net wealth or value of the Council over the year. See paragraph 6.2.

5 Comprehensive Income and Expenditure Statement

5.1 The purpose of the Comprehensive Income and Expenditure Statement is to show the accounting cost in the year of providing services, rather than the amount to be funded from taxation (council tax) or dwelling rents.

- Expenditure and income directly related to the services provided by the Council (Net total credit of £10,214k).
- Expenditure and income not directly attributable to services but to the Council as a whole.
- Income received in respect of general government grants and local taxation (bringing the overall net total on provision of Services to a surplus of £24,861k)

- Net surplus on revaluation of Non-Current Assets of £10,862k (bringing the overall total of Comprehensive Income and Expenditure to a surplus of £35,724k).

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

5.2 The Comprehensive Income and Expenditure of the Council has moved from a surplus of £48,347k at the end of 2016/17 to a surplus of £35,724k at the end of 2017/18, a net decrease in surplus of £12,623k - the variances identified above make up the majority of this movement. The most significant items relating to asset valuations in 16/17 and 17/18, mainly affecting Council Dwellings; in 16/17 the valuation index for Social housing increased significantly creating an Exceptional Item (£37m).

6 Balance Sheet

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

6.2 Explanations for key variances between 2016/17 and 2017/18 are set out in the table following.

Description	2016/17 £'000	2017/18 £'000	Variance £'000	Comment
Property Plant & Equipment.	166,420	187,004	20,584	<p>The main cause of this increase in valuation is due to a net revaluations of £22,340k relating primarily to Council dwelling stock, less depreciation (- £3.242m) and the disposal of council assets sold during the year at a value of (- £1,351m).</p> <p>The value of assets has also been increased by capital expenditure of £2.837m. The main areas of acquisition and enhancement related to the HRA housing development</p>

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				new build programme (£1.142m), and improvements to existing stock (£1.294m)
Intangible Assets	141	410	269	Increase in value reflects investment in IT systems, primarily Asset Management System (£249K). This is offset by depreciation of £62k.
Long Term Debtors	701	808	107	Movement mainly attributable to the issue of Loans to Selby District Housing Trust.
Short Term Debtors	3,438	4,475	1,037	The most significant movement relates to amounts due to be recovered from Council Tax preceptors as a result of the collection fund deficit at year end.
Cash and Cash Equivalents	35,812	54,003	18,191	Increase in cash balances due to the receipt of Renewables Business Rates, and NNDR collection fund balances due to be distributed in 18/19.
Short Term Creditors	(6,599)	(12,940)	(6,341)	The increase is primarily due to NNDR collection fund balances which are due to be distributed to Central Government and Precepting Authorities in 18/19.
Provisions	(1,580)	(1,367)	213	Decrease in provisions due to reduced provision for NNDR appeals.
Long Term Borrowing	(60,300)	(59,299)	(1,001)	PWLB loan repaid during 17/18.
Defined Benefit Pension Scheme	(11,357)	(11,038)	319	The year-end actuarial valuation of the Council's pension liabilities. Whilst the

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			<p>Council paid of its historic pension deficit in 2016/17, based on the actuarial assessment at that time. A net liability is presented in the accounts as regulation requires a much lower return on assets to be used for financial accounts, rather than the actual returns expected when estimating fund requirements.</p>
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Description	2016/17 £'000	2017/18 £'000	Variance £'000	Comment
Usable Reserves	(25,613)	(36,468)	(10,855)	Net increase in earmarked reserves during 2017/18 is mainly attributable to renewables business rates income being used to top reserves up as planned, following the pension deficit pay-off in 16/17. The remainder is through planned contributions and savings generated during the year.
Unusable Reserves	(100,681)	(125,549)	(24,868)	Significant movements in Unusable Reserves include: adjustments to the Capital Adjustment Account & Revaluation Reserve for the revaluation of Council Land & Buildings (£22.3m), offset by charges for depreciation and amounts written out on disposal £4.4m; movements in the pensions reserve (£2.3m) following the annual year-end actuarial valuation of the Council's Pension Fund assets and liabilities and the collection fund adjustment account (£3.1m) which includes the Council's share of the net year-end business rates surplus.

7 Cash Flow Statement

7.1 The purpose of the cash flow is to show the inflow and outflow of cash as a result of transactions that have occurred between the council and third parties. The cash flow analyses these transactions between those associated with revenue operations and capital activities.

7.2 Councillors may wish to note the following explanations for key variances when compared with 2016/17

Description	2016/17 £'000	2017/18 £'000	Variance £'000	Comment
Net (Surplus)/ Deficit on the provision of services	(44,705)	(24,862)	(19,840)	See paragraph 5.2.
Adjustments to net (surplus)/deficit on the provision of services for non- cash movements	(38,613)	8,102	46,715	Comprises a number of non-cash movements including depreciation, revaluations for Council Dwellings. The adjustment also includes various movements in balance sheet headings such as creditors, debtors, inventories, provisions and pension fund liability changes. The main variance is due to a significant revaluation upwards of the Council's Council Dwelling Stock in 2016/17
Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	2,316	1,782	(534)	Includes the movement in capital grants, capital receipts and contributions used to fund capital expenditure. The reduction is due to slightly lower proceeds from disposal of assets than in the prior year when Hurricane Close was disposed of.
Investing Activities	1,305	1,386	2,453	Relates to activities such as the purchase of fixed assets, proceeds from sale of assets and other investment activity proceeds. The main variances relate to reduced capital expenditure on fixed assets during the year (£658k), proceeds from disposals (£380k), and reduction in

				proceeds from Short term investments £108k as all cash balances are now included in the sweeping arrangement with NYCC and therefore included in Operating Activities.
Financing Activities	(7,832)	(4,600)	3,232	Reflects movement in net debtors/creditors on council tax and NNDR, and repayment of Long Term loans of £1m

8 Housing Revenue Account Income and Expenditure Statement, Movement on the Housing Revenue Account Statement and Note to the Movement on the Housing Revenue Account Statement

8.1 The Housing Revenue Account (HRA) is a statutory ring fenced account, to be accounted for completely separately to the General Fund. The purpose of the HRA Income and Expenditure Account, Movement on the HRA Statement and Note to the Movement on the HRA Statement is the same as for the General Fund.

8.2 The information from the HRA statements are combined (known as consolidated) with the General Fund to give the overall position of the Council's financial health.

9 Collection Fund

9.1 The Collection Fund reflects the statutory responsibilities for billing authorities to maintain a separate account for the transactions relating to the collection of Council Tax and National Non-domestic Rates and the distribution of these monies to precepting authorities and central Government. The costs of administering collection are accounted for in the General Fund.

10 Glossary

10.1 This explains the technical terminology used throughout the Statement of Accounts.

11 Annual Governance Statement

11.1 The Annual Governance Statement reviews the effectiveness of the Council's internal control systems for the year of account and, in accordance with the Accounts and Audit Regulations 2015 forms part of the Council's statutory

Statement of Accounts. The statement is covered by a separate report on the Committee's agenda.

12 Conclusions

- 12.1 The Council budgeted to breakeven in 2017/18 after a planned drawdown from the Business Equalisation reserve of £377k to balance an anticipated deficit. The actual position for the year shows that a surplus of £414k was achieved after planned contributions from Business Equalisation Reserve. The main reasons for the saving are covered in page 8 of the Narrative Statement.
- 12.2 The budget for the Housing Revenue Account (HRA) was set to contribute £1.185m to the Major Repairs Reserve (MRR). The actual out-turn was a surplus of £1.919m. The surplus was wholly allocated to the MRR. The reasons for the variations are set out in the Narrative Statement (page 10) but mainly related to in year savings in the capital programme, reducing required revenue contributions and savings on anticipated borrowing costs through the use of internal borrowing.
- 12.3 Capital expenditure for the General Fund and HRA totalled £3.492m.