

## Statement of Accounts 2018/19 – 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 2018/19" (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

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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.

<b>Description</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>Variance £'000</b>	<b>Comment</b>
(Surplus) / Deficit on Provision of Services	(24,861)	(8,088)	16,733	See paragraph 5.2.
Other Comprehensive Income & Expenditure	(10,862)	(6,852)	4,010	A significant element of the £4,010k relates to the upward revaluation of fixed assets. This revaluation does not create real cash gains, however under accounting guidance they need to be credited to the Income and Expenditure Account.
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(35,723)</b>	<b>(14,939)</b>	<b>20,784</b>	
Balance on Total Authority Reserves at 31 March	(162,017)	(176,957)	(14,940)	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 debit of £6,374k).
- 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 £8,088k)
- Net surplus on revaluation of Non-Current Assets and Pension Liabilities of £6,852k (bringing the overall total of Comprehensive Income and Expenditure to a surplus of £14,939k).

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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 £35,723k at the end of 2017/18 to a surplus of £14,939k at the end of 2018/19, a net decrease in surplus of £20,784k - the variances identified above make up the majority of this movement. The most significant items relating to asset valuations in 17/18 mainly affecting Council Dwellings; in 17/18 house prices in the District increased significantly impacting on the estimated values of Council Dwellings an Exceptional Item (£12.6m). In addition, other revaluation adjustments account for a further £7.4m movement between years.

### 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	2017/18 £'000	2018/19 £'000	Variance £'000	Comment
Property Plant & Equipment.	187,004	184,330	(2,674)	<p>The value of assets has been increased by capital expenditure of £3.239m. The main areas of acquisition and enhancement related to the HRA housing development new build programme (£0.859m), improvements to existing stock (£1.735m) and purchase of investment properties (£496k)</p> <p>There were net revaluations of £1.85m, less depreciation (-£3.12m) and the disposal of council assets sold during the year at a</p>

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				value of (-£1,23m).  A number of properties were reclassified to investment properties (£3.396m)
Investment Properties	500	4,352	3,852	As above, reclassification of a number of Properties from Property, Plant & Equipment
Intangible Assets	410	603	193	Increase in value reflects investment in IT systems, primarily Asset Management System. This is offset by depreciation of £62k.
Long Term Investments	0	4,906	4,906	During 18/19 the Council placed its first investments in Property Funds
Long Term Debtors	808	2,421	1,613	Movement mainly attributable to the issue of Loans to Selby District Housing Trust.
Short Term Debtors	4,475	6,417	1,942	The most significant movement relates to amounts due to be recovered from Central Government in relation to Business Rates.
Cash and Cash Equivalents	54,003	51,787	(2,216)	Reduction in cash balances primarily due NNDR collection fund balances distributed in 18/19, along with investments in Property Funds £5m.
Short Term Creditors	(12,940)	(6,748)	(6,192)	The reduction is primarily due to NNDR collection fund balances which were distributed to Central Government and Precepting Authorities in 18/19.

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Provisions	(1,367)	(1,808)	(441)	Decrease in provisions due to increased provision for NNDR appeals.
Long Term Borrowing	(59,299)	(59,299)	-	No Change
Defined Benefit Pension Scheme	(11,038)	(9,544)	(1,494)	The year-end actuarial valuation of the Council's pension liabilities. Whilst the 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.

Description	2017/18 £'000	2018/19 £'000	Variance £'000	Comment
Usable Reserves	(36,468)	(43,649)	(7,181)	Net increase in earmarked reserves during 2018/19 is mainly attributable to renewables business rates income being allocated to reserves as planned, in addition to affordable housing commuted sums of £1.9m. The remainder is through planned contributions.
Unusable Reserves	(125,549)	(133,308)	(7,759)	Significant movements in Unusable Reserves include: adjustments to the Capital Adjustment Account & Revaluation Reserve for the revaluation of Council Land & Buildings (£3.9m), along with charges for depreciation and amounts written out on disposal (£7m); Capital

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				Financing Applied in year (£10.3m); movements in the pensions reserve (£1.49m) following the annual year-end actuarial valuation of the Council's Pension Fund assets and liabilities and the collection fund adjustment account (£0.9m) which includes the Council's share of the net year-end business rates surplus.
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### 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 2018/19

<b>Description</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>Variance £'000</b>	<b>Comment</b>
Net (Surplus)/ Deficit on the provision of services	(24,862)	(8,088)	(16,744)	See paragraph 5.2.
Adjustments to net (surplus)/deficit on the provision of services for non- cash movements	8,102	(6,829)	14,931	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.
Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	1,782	1,745	(37)	Includes the movement in capital grants, capital receipts and contributions used to fund capital expenditure.
Investing Activities	1,386	8,905	7,519	Relates to activities such as the purchase of fixed assets,

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				proceeds from sale of assets and other investment activity proceeds. The main variance relates to the Investment in Property Funds £4.9m
Financing Activities	(4,600)	6,474	11,074	Reflects movement in net debtors/creditors on council tax and NNDR.

### 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 2018/19 after a planned drawdown from the Business Equalisation reserve of £688k to balance an anticipated deficit. The actual position for the year shows that a surplus of £59k 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 £0.799m to the Major Repairs Reserve (MRR). The actual out-turn was a surplus of £1.552m. The surplus was wholly allocated to the MRR. The reasons for the variations are set out in the Narrative Statement (page 9) 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 £11.02m, which includes £5m investment in Property Funds, and £1.62m Loans to Selby & District Housing Trust to support Housing delivery. Further details can be found on page 10 and 11 of the Narrative Statement.