

Appendices:

Appendix 1 Final NBC 2017-18
Statement of Accounts
To follow – at the meeting



AUDIT COMMITTEE REPORT

Report Title	Final 2017-18 Statement of Accounts
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date: 29 July 2019

Policy Document: Statement of Accounts

Directorate: Chief Finance Officer

Accountable Cabinet Member: Cllr Brandon Eldred

1. Purpose

- 1.1 This report presents to the Audit Committee the final 2017-18 Statement of Accounts for the Committee's review and approval.
- 1.2 The 2017-18 accounts have been delayed due to the issues that existed on the prior year's accounts with those not being finally concluded until January 2019. As a result the Council has had to work to a rescheduled timeline for the production of the accounts and the external audit.
- 1.3 The Audit Committee will receive the final refined version agreed by KPMG at the Audit Committee, a final draft version having been circulated for information informally.

2. Recommendations

- 2.1 That the Committee approves the Statement of Accounts for 2017-16.
- 2.2 That the committee notes, that the delay in delivering these accounts relates to the time required to conclude the prior year's accounts. The delay has not and does not impact on the funding and financial sustainability of the Council or its prime financial controls and governance.

- 2.3 That the Audit Committee notes that whilst it is unusual to receive the final refined version at the meeting to formally sign off, it is permissible given the Committee has had visibility of prior versions and had the opportunity to consider the Accounts overall.
- 2.4 That the Audit Committee notes that Northampton Borough Council has received a further qualification on its Value for Money judgement, not the core Financial Statements / Accounts. This is due to the ongoing issues from the historic events around 'Sixfields'.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The annual Statement of Accounts is the financial representation of all activities that the Council has been directly or indirectly involved with, over the course of the 2017-18 financial year. The publication of the Statement of Accounts is an essential feature of public accountability and stewardship, as it provides an annual report on how the Council has used the public funds for which it is responsible.
- 3.1.2 The Council's Statement of Accounts is produced in accordance with the Code of Practice (CoP) on Local Authority Accounting in the United Kingdom 2016-17 (supported by International Financial Reporting Standards (IFRS)), and includes a full balance sheet and statement of cash flow movements.
- 3.1.3 The signing, approval and publication of the Accounts is set out in Section 9 of the Accounts and Audit Regulations 2015. Accordingly they were certified by the Section 151 Officer in March 2019 for submission to audit by the Council's external auditor KPMG and are now presented to the Audit Committee for approval.
- 3.1.4 The Statement of Accounts are made up of the following sections:
- **The Narrative Report** - providing a summary of the most significant matters reported within the accounts and of the Council's financial position, this section is intended to outline the overall context within which the Council operates and provide a commentary on the Council's performance in 2017-18.
 - **Statement of Responsibilities** – provides details of the formal responsibilities assigned to the Council and the Chief Finance Officer in respect of the Statements and the financial management of the Council.
 - The **Core Financial Statements** – providing the Council's financial position as at 31 March 2018 comprising of the:

Comprehensive Income and Expenditure Statement (CIES)

Reports the net cost for the year of all of the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

Movement in Reserves Statement (MIRS)

Shows the movement in the year on the different reserves held by the Council. The reserves are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves.

Balance Sheet

Presents the value of the Council's current and non-current assets and liabilities as at 31 March 2017 with the bottom line effectively being the net worth of the organisation.

Cash Flow Statement

Summarising the inflows and outflows of cash arising from transactions with third parties, this analysis shows how the Council generates and uses cash and cash equivalents.

Expenditure and Funding Analysis (EFA)

Demonstrating to council tax payers how the funding available to the Council has been used to provide services, the EFA also shows how this expenditure is allocated between the Council's directorates.

- Notes to the Core Financial Statements, which provide further supporting details on aspects of the accounts and which are largely defined by the CoP.
- Additional statements for the Collection Fund, the Housing Revenue Account (HRA) and Group Accounts.
- Accounting Policies – this section details the accounting policies followed by the Council throughout the year and applied in producing the Statement of Accounts.
- Glossary – the Statement inevitably includes a number of technical terms and this section provides an explanation of their meaning.

3.2 Statement of Accounts 2017-18

3.2.1 The final 2017-18 NBC accounts for approval are provided at Appendix 1.

3.2.2 The following paragraphs provide a commentary on the financial position in the final accounts, based on the last draft. A update will be provided to Audit Committee in September 2019 if there are any material differences to the final version approved.

Usable Reserves

- 3.2.3 The General Fund Balance at the 1 April 2017 was £5.5m and this remains at £5.5m at the 31 March 2018. The Housing Revenue Account (HRA) reserve also remains unchanged at £5.0m.
- 3.2.4 The Council's Earmarked General Fund Reserves as at 31 March 2018 were slightly higher than the start of the year at £27.0m, an increase of £1.8m during the year. The HRA Earmarked Reserves however fell from £11.1m to £8.8m at the 31 March 2018.
- 3.2.5 The Capital Receipts Reserve in the final accounts stands at £16.0m, which has increased by £3.5m during the year.
- 3.2.6 Total Usable Reserves (including both General Fund and HRA) therefore stand at £66.3m at the 31 March 2018 compared to £62.6m at the start of the year.

Balance Sheet

- 3.2.7 The Council had a net worth at 31st March 2018 of £432.7m (i.e. the extent to which the Council's assets exceed its liabilities). This is predominantly due to the Long Term Assets that the Council holds which total £801.6m, of which £700.9m relates to Plant, Property and Equipment.
- 3.2.8 The Council does hold long term liabilities. The most significant of these is the Long Term Borrowing undertaking to finance the Council's capital programme, which stands at £247.3m. The Other Long Term Liabilities held on the balance sheet total £137.4m and relate to the Council's net Pension Fund liability.
- 3.2.9 The overall net assets are matched by the Council's reserves of which £66.3m relate to usable reserves as explained in 3.2.3 to 3.2.6 and unusable reserves of £366.4m which capture the necessary accounting entries required under the CIPFA Code.

Audit Changes

- 3.2.10 The accounts were provided to KPMG on 11 March at which point the external audit formally commenced. The Committee should note that KPMG were able to undertake elements of their audit work prior to this date which has helped to accelerate the conclusion of the 2017-18 accounts. There have been some changes that have resulted from KPMG's audit work. The main changes from the draft accounts to the final accounts are set out below:
- a) Changes required to the Comprehensive Income and Expenditure Statement (CIES) resulting from the incorrect inclusion of service costs (£5.3m) and operating expenditure (£2.6m) in the Financing and Investment Income and Expenditure line of the CIES. These amounts should have been in the Cost of Services and the Other Operating Expenditure respectively. Due to the change to the Cost of Services this also required the Expenditure and Funding Analysis to be amended to reflect the correct figures as well as the Group Accounts.

b) Amendments to disclosure notes 32 and 33 which support the Cash Flow Statement (CFS) were required to ensure they casted and reconciled correctly to the CFS.

c) Final presentational refinements were made with KPMG during July 2019.

3.2.11 Other changes and audit adjustments of a more minor nature were also identified and amended such as formatting and amendments to wording.

3.3 Conclusions

3.3.1 The work of the LGSS Integrated Closedown team and the NBC Finance Business Partner team with KPMG have enabled the 2017-18 accounts to be produced and audited in a much quicker timeframe than the prior year. The conclusion of the 2017-18 accounts brings the Council up to date with its financial statements.

3.3.2 The Audit Committee are recommended to approve the 2017-18 Statement of Accounts.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications from this report. However Northampton Borough Council will be responding at the next Audit Committee to the formal observations and recommendations raised by the auditor, KPMG. Where appropriate and required, policies may be changed or improved.

4.2 Resources and Risk

4.2.1 There are no specific resources implications from this report. However the audit challenges and high risk nature of the audit have led to significant additional costs being incurred which KPMG will report on separately.

4.2.2 The Council is also reviewing its resourcing of the Year End / Closedown team and asset management team to ensure improved processes and quality of information presented.

4.2.3 The Chief Finance Officer will be reviewing further the ISA260 recommendations, which can be found reported in the document elsewhere on this agenda. Those not already addressed, will be taken into a work plan for rapid improvement and reported on to the Audit Committee in September 2019.

4.3 Legal

4.3.1 There are no specific legal implications from this report.

4.4 Equality

4.4.1 There are no specific equality implications from this report

4.5 Consultees (Internal and External)

4.5.1 The primary consultee has been the Audit Committee during the course of the delayed audit.

4.6 Other Implications

4.6.1 None specifically

5. Background Papers

5.1 Various previous Audit Committee agenda packs which provide details on the reasons and causes of the delays to the 2016-17 accounts.

Stuart McGregor
Chief Finance Officer (Section 151 Officer)