

REPORT REFERENCE NO.	APRC/17/11
MEETING	AUDIT AND PERFORMANCE REVIEW COMMITTEE
DATE OF MEETING	28 JUNE 2017
SUBJECT OF REPORT	DRAFT STATEMENT OF ACCOUNTS 2016-2017
LEAD OFFICER	TREASURER
RECOMMENDATIONS	<i>That the Committee notes the draft 2016-2017 Statement of Accounts.</i>
EXECUTIVE SUMMARY	<p>Approval of the Authority's accounts in any given financial year is a function delegated to this Committee. Regulations require the draft accounts to be prepared and certified by the Treasurer by 30 June and that the final accounts, once subject to external audit, to be considered for approval by 30 September.</p> <p>Whilst not a requirement that the draft accounts are to be considered by the Authority in June it is seen as best practice that the accounts are reported prior to the Treasurer signing the draft accounts.</p> <p>A set of accounts for 2016-2017 (subject to external audit) is included with this report as Appendix A.</p> <p>Further changes to the Regulations will require approval of future final, audited accounts by 31 July. A separate report is included within the agenda for this meeting in respect of the process for the publication of the accounts in future years.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has revealed that there are no equality issues arising from this report.
APPENDICES	A - Draft Statement of Accounts 2016-2017 (page numbered and enclosed separately).
LIST OF BACKGROUND PAPERS	Financial Outturn Report 2016-17 – report reference DSFRA/17/14 as reported to the meeting of DSFRA held on the 12 June 2017.

1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require the Authority's draft Statement of Accounts to be prepared by the 30 June each year and to be certified by the Chief Finance Officer by this date as representing "a true and fair view of the financial position of the Authority as at 31 March". The updated regulations also require the draft Accounts to be published on our website by the 30 June each year.
- 1.2 Regulations do not require the draft Accounts to be formally considered and approved by the Committee until they have been subject to audit, but that they must be approved by the 30 September following consideration of the audit opinion. However it is considered best practice for the Committee to consider the draft accounts prior to the audit in order to seek assurances that the accounts are complete and report any significant issues.
- 1.3 A draft set of Accounts for 2016-17 is included as Appendix A of this report and a summary of the key figures included within the financial statements is provided within this report. The Treasurer will present the Accounts at the meeting which will provide an opportunity for more detailed questions to be raised.
- 1.4 A final set of audited accounts, along with the Audit Findings Report, will be reported to the next meeting of this Committee to be held on the 12th September 2017, for approval.

2. 2016-17 STATEMENT OF ACCOUNTS

- 2.1 The draft Accounts are included with this report as Appendix B. The four key statements to be considered are:
- The Statement of Comprehensive Income and Expenditure Statement (CIES)
 - The Balance Sheet.
 - The Movement in Reserves Statement (MIRS)
 - The Cash Flow Statement.

The Comprehensive Income and Expenditure Statement (CIES)

- 2.2 *This statement shows 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.*
- 2.3 The CIES, as reported on Page 16 of the accounts, reports a retained **deficit** for the year of £17.071m. This figure differs significantly from the £2.193m **surplus** as reported to in the meeting of the Authority in June 2017 as included in the 2016-17 Financial Outturn Report. The difference in reported figures is because the CIES includes a number of accounting costs that do not impact on taxation e.g. depreciation (£6m) and increases in actuarially assessed pension liabilities (£18m). A full breakdown of these accounting costs are shown in Note 3 page 24 of the accounts, and summarised in Table 1 overleaf.

TABLE 1 - CIES COMPARISON TO BUDGET

	£m
Total Spending	71.784
Government Grant and Council Tax Income	(73.977)
NET SURPLUS (as reported to management in Outturn Report)	(2.193)
<i>Amounts in the CIES not reported to management</i>	
Depreciation and impairment	6.249
Net charges made for retirement benefits	18.569
Spending from Earmarked Reserves	1.655
Other (Net)	0.659
	27.132
<i>Amounts in management information not included in the Cost of Services in the CIES</i>	
Minimum Revenue Provision/Direct Revenue funding to capital	(2.155)
Direct Revenue Funding to Capital	(0.759)
Transfer to Earmarked Reserves	(4.955)
	(7.869)
COST OF SERVICES IN CIES (as reported in the Statement of Accounts)	17.071

The Balance Sheet

- 2.4 The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves (Usable and Unusable) held by the Authority.
- 2.5 The Balance Sheet, as reported on Page 17 of the accounts, reports the net liability position of the Authority as at 31 March 2017 as £687.870m (£545.683m as at 31 March 2016), matched by USABLE and UNUSABLE reserves of £687.870m.
- 2.6 It should be emphasised, however, that this figure includes a large liability in relation to future pension liabilities of £809.183m, as required to be reported under International Accounting Standard (IAS) 19 & IAS20. This liability position does not cause the Authority any funding concerns and the inclusion of the pension liability is required to highlight the build-up of future pension liabilities. This reflects the fact that the pension costs of firefighters, as is the case for police officers, are not paid from a fully funded pension scheme.

The Cash Flow Statement

- 2.7 The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
- 2.8 The cash flow statement, as reported on Page 18 of the accounts, shows an increase in cash balances from £11.338m as at 31 March 2016 to £15.365m as at 31 March 2017 i.e. increase of reduction of £4.027m. It should be noted that included in this figure is cash that is invested in short-term investments i.e. less than 3 months.

The Movement in Reserves Statement (MIRS)

- 2.9 This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'USABLE reserves' and 'UNUSABLE reserves'.
- USABLE* reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
- UNUSABLE* reserves comprises those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold;
- The 'Net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority
- 2.10 The MIRS, as reported on Page 19 of the accounts, reports an increase in USABLE reserves from £29.8m as at 31 March 2016 to £35.3m as at 31 March 2017, i.e. an increase of £5.5m.

Notes to the Accounts

- 2.11 Notes 1 to 32 of the accounts provide a further breakdown of figures included in the four key statements, together with statutory information such as member's allowances, senior officer's remuneration and related party transactions.

3. AUDIT OF ACCOUNTS 2016-17

- 3.1 The accounts will be subject to audit inspection by Grant Thornton during the summer following which they will issue an Audit Findings Report to include an opinion on the Financial Statements. This report will be considered at the next meeting of this Committee on the 12th September 2017, following which the Accounts must be published by the 30th September 2017.

KEVIN WOODWARD
Treasurer