

2016/17 Statement of Accounts (SOA) Overview

[page references are shown which cross reference to the full SOA document also available on the T&W internet site]

- The communication of financial information is a key aspect of public accountability. The Statement of Accounts provides detail about the funds available to the Council and how they have been used to deliver services together with a snap-shot of the financial position as at 31 March i.e. the value of assets and liabilities at year end.

BACKGROUND

- The structure and content of the Statement of Accounts is determined by Government Legislation, Accounting Standards, including International Financial Reporting Standards, and the Chartered Institute of Public Finance & Accountancy (CIPFA) Guidance and Codes of Practice.
- The Statement of Accounts comprises:
 1. **Narrative Statement**
 2. **Statement of Responsibilities**
 3. **Annual Governance Statement**
 4. **Auditor's Report**
 5. **Expenditure & Funding Analysis**
 6. **Comprehensive I&E Account**
 7. **Movement in Reserves Statement**
 8. **Balance Sheet**
 9. **Cash Flow Statement**
 10. **Notes to the Accounts**
 11. **The Collection Fund Account**
 12. **Group Accounts**

KEY DATES

- Outturn report presented to Cabinet:
29 June 2017; Council 20 July 2017
- **Draft SOA presented to Audit Committee Members: 27 June 2017**
- Draft SOA available for Public Inspection for 30 days: 19 June – 28 July 2017
(must include 1st 10 working days in July)
- **Start of External Audit: 3 July**
- Approval by Audit Committee: 19 Sept 2017
- **Final SOA published by 30 Sept 2017**

1. NARRATIVE STATEMENT [pages 3 -22]

Provides an overview of the budget and financial context, highlights issues raised during the year and provides a summary of both the revenue and capital outturn positions for the Council.

Revenue Position			
	Budget £m	Outturn £m	Variation £m
Cabinet Report	122.279	122.112	-0.167
Funding Adjustment	0.000	0.167	+0.167
Service Outturn [page 11 SOA]	122.279	122.279	0.000
Council Tax, Govt. Grant and NDR	-122.279	-122.446	-0.167
2016/17 Underspend	0.000	-0.167	-0.167

General & Special Fund Balances - £m	
Balances bwfd 1/4/16	4.490
Contribution to Balances	0.167
Balances cwfd 31/3/17	4.657

Capital - £m	
Approved Capital Programme	87.08
Outturn	73.67
Funded by:	
Borrowing	29.75
Capital Receipts	8.70
Grants	30.14
Other Sources	5.08
Total	73.67

2. STATEMENT OF RESONSIBILITIES & ANNUAL GOVERNANCE STATEMENT [page 23]

Sets out the responsibilities of the authority and the Chief Financial Officer in respect of the SOA; details the governance framework, systems of control and standards of conduct; reviews the effectiveness of governance arrangements and identifies actions to be implemented in 2017/18.

3. AUDITORS REPORT [page 33]

Provides independent assurance to Members that the SOA have been compiled in accordance with UK accountancy regulations and that they give a true and fair view of the financial position as at 31 March 2017. KPMG will present their own report to Audit Committee. An unqualified audit opinion is expected.

4. MOVEMENT IN RESERVES STATEMENT [page 38]

Shows the different reserves held by the authority, analysed into Usable reserves (those which could be used to fund expenditure) and Other Reserves (technical reserves and those where funds would not be immediately realisable e.g. revaluation reserve where assets would have to be sold to release the benefit).

Usable Reserves	£m	Other Reserves	£m
General/Special Fund Balance	4.657	Pension Reserve	(275.500)
Capital Grants Unapplied	3.320	Acc. Absence Reserve	(3.109)
Revenue Grants Unapplied	2.623	Capital Adjustment a/c	184.677
Earmarked Service Reserves	55.529	Revaluation Reserve	40.016
School Balances	5.120	Collection Fund	4.741
		Deferred Capital Receipts	20.959
		Other	(1.168)
Total Usable Reserves	71.249	Total Other Reserves	(29.384)
Total Reserves at 31 March 2017: £41.865m			

5. COMPREHENSIVE INCOME & EXPENDITURE A/C [page 37]

This statement shows the cost of providing services, in accordance with Accountancy regulations, not the amount funded from taxation.

	£m
Deficit on I&E Account	8.029
Less amounts included in I&E Account but which do not impact on the General Fund (including Depreciation, Impairments and Capital Grants Applied)	(16.840)
Plus amounts not included in I&E Account but which do impact on the General Fund (such as movement in reserves)	8.644
Actual Contribution to General Fund Balances	(0.167)

6. BALANCE SHEET [page 39]

Shows the value of assets and liabilities at 31 March.

Assets	£m	Liabilities	£m
Property, Plant & Equipment	511.037	Borrowing	220.048
Investment Properties	71.617	Creditors	58.670
Intangible Assets	2.346	Pensions Liability	275.500
Long Term Investments	6.483	PFI/Finance Leases	55.405
Assets Held for Sale	7.474	Provisions	19.808
Debtors	52.734	Other	0.749
Cash/Cash Equivalents	20.033		
Other Current Assets	0.321		
Total Assets	672.045	Total Liabilities	630.180
Total Net Assets at 31 March 2017: £41.865m			

7. CASHFLOW STATEMENT [page 40]

Shows cash inflows and outflows during the year.

8. NOTES TO THE ACCOUNTS [page 41]

59 notes providing further information to support the figures in the financial statements.

[listed in contents on page 1]

9. COLLECTION FUND [page 104]

Required by statute for billing authorities; records transactions relating to business rates and council tax income and payments to this Council, the Parishes, Police & Fire Authorities.

EXPENDITURE & FUNDING ANALYSIS [page 36 and note 7)

The Expenditure and Funding Analysis is a new statement added for 2016/17, it shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the local authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

SERVICE	2016/17		
	Net Expenditure Chargeable to the General Fund Balance £000	Adjustments Between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000
Business, Development & Employment	13,430	4,269	17,699
Children's Safeguarding	26,428	464	26,892
Co-Operative Council	1,260	(1,492)	(232)
Commercial Services	3,573	(1,434)	2,139
Council Wide	7,009	3,643	10,652
Customer & Neighbourhood Services	31,631	(27,958)	3,673
Early Help & Support	47,267	(464)	46,803
Education & Corporate Parenting	13,941	(15,338)	(1,397)
Finance & Human Resources	(27,050)	32,195	5,145
Governance, Procurement & Commissioning	3,059	(59)	3,000
Health & Well-being	1,731	(927)	804
Net Cost Of Services	122,279	(7,101)	115,178
Other Income & Expenditure	(122,446)	15,297	(107,149)
(Surplus) or Deficit	(167)	8,196	8,029

GROUP ACCOUNTS AND NUPLACE ACCOUNTS (BASED ON DRAFT NUPLACE ACCOUNTS)

Nuplace was incorporated on 1 April 2015. The principal activity of the company is the procurement of the construction and management of private and affordable residential property.

- Nuplace is wholly owned by Telford & Wrekin Council;
- 2016/17 was the second year of operation
- During the year construction of 31 units at Pool View Randlay and 101 units at Woodland Walk, Madeley were completed. All 132 properties were successfully let to tenants. A further two sites were acquired during the year at The Oaklands, Matlock and Miners Walk, Madeley and contracts let for the construction of 100 properties, associated ground works and infrastructure. The construction of these sites remains on schedule for delivery within the financial year ended 31 March 2018 and the activity for pre-lets for these sites is strong.
- KPMG are the appointed auditors for Nuplace
- A summary of the financial statements is shown below:

Profit & Loss Account 31 March 2017 - £	
Turnover	655,441
Cost of Sales	(55,939)
Gross Profit	599,502
Administrative Expenses	(66,328)
Other operating income	2,380
Operating Profit	535,554
Interest payable	(163,314)
Tax on Profit	(70,404)
Profit for the financial year	301,836

Balance Sheet at 31 March 2017			
Assets	£m	Liabilities	£m
Tangible assets	21.135	Creditors	14.915
Cash at bank and in hand	0.567	Provisions	0.065
Debtors	0.003		
Total Assets	21.705	Total Liabilities	14.980
Total Net Assets at 31 March 2017: £6.725m			
Share Capital			£6.450m
Profit & Loss Account			£0.275m

The Council has produced Group Accounts for 2016/17 which consolidate the Council's accounts with those of Nuplace to give an overall picture of the Council's activities.

The Council received income totalling £0.529m from Nuplace during 2016/17 (net of interest and marginal costs).

PENSIONS [notes 12 and 13, page 54)

The Council participates in 3 pension schemes: the Local Government Pension Scheme, the National Health Service Pension Scheme and the Teachers Pension scheme.

The pension fund assets and liabilities of the National Health Service and Teachers schemes cannot be attributed to individual authorities and the Council is not therefore required to disclose detailed information relating to these.

The Local Government Pension Scheme (LGPS) is a Defined Benefit Scheme which is administered by Shropshire Pension Fund and detailed disclosures are available and shown in the accounts.

Both the Council and employees pay contributions into the LGPS fund, calculated at a level intended to balance the pension liabilities with pension assets. There is an actuarial evaluation of the fund undertaken every 3 years which determines the council's contribution. Following the valuation at 31/3/13 the contribution rate was set at 12.6% for 2016/17, supplemented with a lump sum payment, giving an estimated combined rate of 17.4%. There was a further valuation at 31/3/16 and the contribution rate was increased to 14.1% for 2017/18, supplemented with a lump sum payment, giving an estimated combined rate of 18.9%.

The Council's assets and liabilities relating to the LGPS at 31 March were:

	31.3.16	31.3.17
	£'000	£'000
Total Present Value of Benefit Obligations	(633,381)	(780,393)
Fair Value of Pension Fund Assets	420,734	504,893
Deficit on Fund at 31 March	(212,647)	(275,500)
Deficit on Fund at 31 March prior year	(222,247)	(212,647)
Increase in deficit / (Decrease) in deficit	(9,600)	62,853

The cost charged to the Income and Expenditure account is not the employer contribution rate but an amount provided by the actuaries which takes into account the additional cost of pension obligations earned at 31 March – the principle being that local authorities must account for retirement benefits when they are committed to giving them.

RELATED PARTIES [note 50, page 98)

Our Auditors have asked us to include some additional related party transactions for Councillors with voluntary directorships and where grants are passed on from Central Government.

A related party is defined as follows.

A person or entity that is related to the entity that is preparing its financial statements [section 3.9 of the Code refers to this entity as the 'reporting entity'].

(a) A person or a close member of that person's family related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;*
- (ii) has significant influence over the reporting entity; or*
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.*

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).*
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).*
- (iii) Both entities are joint ventures of the same third party.*
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.*
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.*
- (vi) The entity is controlled or jointly controlled by a person identified in (a).*
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).*
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.*