

Audit Committee – Supplementary agenda No.1

A meeting of the Audit Committee will be held on:

Date: 29 June 2017

Time: 7.00pm

Venue: Meeting Room 2 - Level 3, Gun Wharf, Dock Road, Chatham ME4 4TR

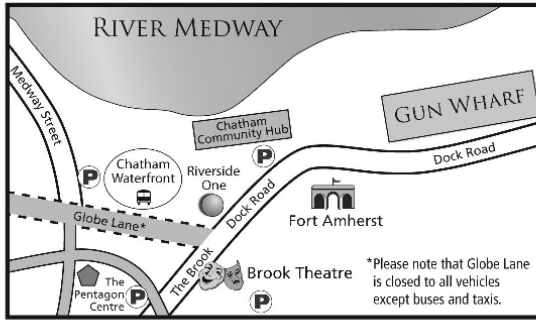
Items

11. **Revenue and Capital Outturn and Draft Statement of Accounts 2016/2017** (Pages 3 - 12)

Addendum Report.

For further information please contact Michael Turner, Democratic Services Officer on Telephone: 01634 332817 or Email: democratic.services@medway.gov.uk

Date: 26 June 2017



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বাংলা	331780	ગુજરાતી	331782	ਪੰਜਾਬੀ	331784	کوردی	331841	ارو	331785	Русский	332374
中文	331781	हिंदी	331783	Polski	332373	ଏହ୍‌ଶଫଦ	331786	فارسی	331840	Lietuviškai	332372



AUDIT COMMITTEE

29 JUNE 2017

REVENUE AND CAPITAL OUTTURN AND DRAFT STATEMENT OF ACCOUNTS 2016/2017 – ADDENDUM REPORT

Report from: Phil Watts, Chief Finance Officer

Author: Jonathan Lloyd, Principal Accountant

Summary

This report and attachment details minor amendments to the Statements presented in Item 11 of the Agenda.

1. Background

- 1.1. The Draft Statement of Accounts (Agenda Item 11) has been found to contain some minor presentational errors as detailed below.

2. Balance Sheet

- 2.1. The Balance Sheet on page 23 of Statement (page 163 of the agenda pack) includes £22.513m of long term investments. £4.513m of this sum is due for redemption in July 2017 and should therefore have been classified as short term investments. Appendix 1 of this report is an amended balance sheet showing the correct classification.

3. Note 8 - Expenditure and Income Analysed by Nature

- 3.1. The table shown on page 58 of the Notes to the Core Financial Statements (page 198 of the agenda pack) differed from the Income and Expenditure totals within the Comprehensive Income and Expenditure Statement. This was due to adjustments being made to gross expenditure and gross income relating to internal recharges that were omitted from this note. This has now been corrected and is shown in Appendix 2 to this report.

4. Note 21 - Transfers to/from Earmarked Reserves

- 4.1. The table shown on page 73 of the financial statements (page 213 of the agenda pack) was found to have transposed some transfers in as transfers out and vice versa. This has been corrected within Appendix 3 to this report.

5. Note 26 - Financial Instruments Note

- 5.1. As shown in paragraph 2.1 to this report inclusion of short term investments within long term investments has meant that the table on page 84 (page 224 of the agenda pack) has been corrected to account this.
- 5.2. The table Income Expenses, Gains and Losses, part of note 26 to the statements on page 85 (page 225 of the agenda pack) shows investment income as a negative amount and therefore also misstates the total net loss for the year. Appendix 4 of this report is a corrected table. Note 26 is a disclosure item and the error did not affect any figures in the principal financial statements.
- 5.3. Appendix 4 of this report shows the corrected financial instruments tables.

6. Note 27 – Nature and Extent of Risks Arising from Financial Instruments

- 6.1. Paragraph 7 under the sub-heading of Credit Risk on page 88 to the statements (page 228 of the agenda pack) has been amended to include some additional information omitted from the circulated agenda. This is corrected in Appendix 5 to this report.

7. Note 1 to the Collection Fund Account

- 7.1. This note relating to council tax includes a list of the number of dwellings at each band. The table on page 121 (page 261 of the agenda pack) included the previous year's numbers of dwellings at each band, although the total amounts of council tax for each band was correct. Appendix 6 is a corrected table.

8. Revised Recommendation

- 8.1. That the Audit Committee notes the revenue and capital outturns as reported and approves the draft statement of accounts for 2016/17 as set out in Appendix 1 to the main report as amended by Appendices 1-6 in the addendum report.

Report author: Jonathan Lloyd, Principal Accountant

Appendices:

- Appendix 1 Amended Balance Sheet.
- Appendix 2 Amended Note 8 (Income and Expenditure Analysed by Nature note supporting the Comprehensive Income and Expenditure Statement).
- Appendix 3 Amended Note 21 (Transfers to/from Earmarked Reserves note supporting the Movement in Reserves Statement).
- Appendix 4 Amended Note 26 (Financial Instruments Note including Income, Expenses, Gains and Losses).
- Appendix 5 Amended Note 27 (Nature and Extent of Risks Arising from Financial Instruments).
- Appendix 6 Amended Note 1 to the Collection Fund.

Balance Sheet

31 March 2016 £'000	Balance Sheet Summary	Notes	31 March 2017 £'000
733,859	Property Plant and Equipment	22	724,860
15,850	Heritage Assets	23	16,670
6,819	Investment Properties	25	9,644
1,264	Intangible Assets		1,236
22,556	Long Term Investments	26	18,000
158	Long Term Debtors	26	153
780,507	Long Term Assets		770,563
350	Assets Held for Sale		0
116	Inventories		101
0	Short Term Investments	26	4,513
38,299	Short Term Debtors	30	39,189
0	Cash and Cash Equivalents	31	5,034
38,764	Current Assets		48,838
(1,250)	Cash and Cash Equivalents	31	0
(9,271)	Short Term Borrowing	26	(36,286)
(36,123)	Short Term Creditors	32	(37,022)
(3,827)	Provisions	33	(2,422)
(50,471)	Current Liabilities		(75,730)
(37,158)	Long Term Creditors	26	(35,991)
(4,888)	Provisions	33	(5,775)
(171,526)	Long Term Borrowing	26	(171,398)
(240,283)	Other Long Term Liabilities	29,37	(290,362)
(7,440)	Grants Receipts in Advance - Capital	18	(4,545)
(461,294)	Long Term Liabilities		(508,071)
307,506	Net Assets		235,600
49,196	Usable Reserves	35	31,734
258,310	Unusable Reserves	36	203,866
307,506	Total Reserves		235,600

8. Expenditure and Income Analysed by Nature

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement

	2015/16	2016/17
	£'000	£'000
Expenditure/Income		
Expenditure		
Employee benefits expenses	160,190	150,333
Other services expenses	389,330	383,257
Support service recharges	0	0
Depreciation, amortisation and impairment	32,437	28,278
Interest payments	11,609	11,600
Precepts and levies	1,489	1,637
Payments to Housing Capital Receipts Pool	269	225
Gain on the disposal of assets	45,447	19,813
Pension Adjustment	287	267
Total expenditure	641,059	595,409
Income		
Fees, charges and other service income	(85,854)	(80,262)
Interest and investment income	(4,523)	(4,773)
Income from council tax and non-domestic rates	(144,438)	(148,419)
Government grants and contributions	(332,994)	(319,767)
Total income	(567,809)	(553,220)
Surplus or Deficit on the Provision of Services	73,250	42,189

21. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2016/17.

	Balance 1 April 2015	Transfers out 2015/2016	Transfers in 2015/2016	Balance 31 March 2016	Transfers out 2016/17	Transfers in 2016/17	Balance 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund							
Balances held by schools under a scheme of delegation	(6,277)	2,278	(1,403)	(5,402)	3,098	(905)	(3,209)
School Rev Contributions To Capital	(409)	748	(1,036)	(696)	774	(302)	(224)
Revenue Contributions To Capital C&A	(2,264)	68	0	(2,196)	2,488	(320)	(28)
Revenue Contributions To Capital RCC	0	494	(621)	(127)	121	0	(6)
Development Plan Reserve	(300)	52	(85)	(333)	20	(80)	(393)
Provision For Local Election	(605)	391	0	(214)	44	0	(170)
Bereavement Services Reserves	(192)	1	0	(190)	165	0	(25)
Community Hubs Reserve	(1,066)	201	0	(864)	426	0	(438)
Reserve Fund Computer Development	(106)	0	0	(106)	0	(167)	(273)
DSG Reserve	(1,845)	1,545	0	(300)	1,304	(1,136)	(132)
Economic Development Loans Fund	(156)	8	0	(149)	4	0	(145)
Directorate Carry Forwards	(8,705)	6,339	(2,791)	(5,157)	3,207	(704)	(2,654)
Collection Fund Holding Account	0	0	(3,771)	(3,771)	3,364	(1,335)	(1,741)
Invest To Save	(148)	0	0	(148)	0	0	(148)
Severance Payments Reserve	(967)	1,363	(1,532)	(1,137)	1,138	0	1
South Medway Development Res	(4,851)	1,009	0	(3,842)	600	0	(3,243)
Transformation Reserve	(320)	268	0	(52)	0	0	(52)
Salix Repayments	(73)	91	(121)	(103)	151	(98)	(50)
HEE Public Health Grant	0	146	(1,214)	(1,069)	432	0	(637)
Other Earmarked Reserves	(122)	50	(61)	(134)	298	(778)	(615)
General Reserve	(2,968)	289	(124)	(2,804)	3,015	(218)	(8)
Insurance Fund	(3,174)	461	0	(2,713)	0	(34)	(2,747)
Total Earmarked General Fund Reserves	(34,551)	15,801	(12,759)	(31,509)	20,646	(6,076)	(16,939)
Housing Revenue Account							
HRA IT Reserve	(6)	0	0	(6)	1,536	(1,536)	(6)
Total Earmarked Housing Revenue Account Reserves	(6)	0	0	(6)	1,536	(1,536)	(6)
Total Earmarked Reserves	(34,557)	15,801	(12,759)	(31,515)	22,182	(7,612)	(16,945)

26. Financial Instruments

The following categories of financial instrument are carried in the balance sheet:

Categories of Financial Instruments	Long-term		Current	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
	£'000	£'000	£'000	£'000
Investments				
Loans and Receivables	19,733	15,221	0	4,513
Available for sale financial assets	2,823	2,779	0	0
Total Investments	22,556	18,000	0	4,513
Debtors				
Loans and Receivables	158	153	20,554	35,314
Total Debtors	158	153	20,554	35,314
Borrowings				
Financial liabilities at amortised cost	(171,526)	(171,398)	(9,271)	(36,286)
Total Borrowings	(171,526)	(171,398)	(9,271)	(36,286)
Creditors				
Financial liabilities at amortised cost	(37,158)	(35,991)	(28,932)	(25,414)
Total Creditors	(37,158)	(35,991)	(28,932)	(25,414)

Financial Instruments held for less than 3 months are classified as Cash and Cash Equivalents. Please see "note 31".

Income, Expenses, gains and Losses

	2015/16					2016/17				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	(11,475)	0	0	0	(11,475)	(11,446)	0	0	0	(11,446)
Total expense in Surplus or Deficit on the Provision of Services	(11,475)	0	0	0	(11,475)	(11,446)	0	0	0	(11,446)
Interest income	0	3,181	0	0	3,181	0	3,133			3,133
Total income in Surplus or Deficit on the Provision of Services	0	3,181	0	0	3,181	0	3,133	0	0	3,133
Net gain/(loss) for the year	(11,475)	3,181	0	0	(8,294)	(11,446)	3,133	0	0	(8,313)

27. Nature and Extent of Risks Arising from Financial Instruments

Credit risk

The authority's maximum exposure to credit risk in relation to its investments in banks of £2.306m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the authority's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

Notes to the Collection Fund Account

1. Council Tax

Council Tax derives from charges raised according to the value of residual properties, which have been classified in 9 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council and major preceptors for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax Base for 2016/17 was 81,613.55 (80,212.79 in 2015/16). The tax base for 2016/17 was approved by the Portfolio Holder for Finance on 27 January 2016 and was calculated as follows:

Band	Chargeable Dwellings	Ratio 9ths	Band D Equivalent Gross	Exemptions & Discounts	Band D Equivalent Net
A	11,266	6/9	7,511	1,407	6,103.68
B	38,158	7/9	29,678	3,502	26,176.82
C	33,546	8/9	29,819	2,748	27,070.64
D	17,329	1	17,329	1,462	15,866.74
E	8,793	11/9	10,747	837	9,909.66
F	3,706	13/9	5,353	247	5,105.89
G	1,353	15/9	2,255	106	2,149.08
H	66	18/9	132	59	72.80
Total	114,217		102,824	10,368	92,455.31
Council Tax Support					(9,164.58)
Sub Total					83,290.73
Allowance for Non Collection (2.4%)					(1,998.97)
Sub Total					81,291.76
Crown Contribution					321.79
Tax Base for the Calculation of Council Tax 2016/17					81,613.55
Tax Base for the Calculation of Council Tax 2015/16					80,212.79

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