

REPORT TITLE: ANNUAL FINANCIAL REPORT 2017/18

31 MAY 2018

REPORT OF PORTFOLIO HOLDER: Cllr Guy Ashton, Portfolio Holder for Finance

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WARD(S): ALL

PURPOSE

This report highlights the key issues arising from the annual accounts for the year ended 31 March 2018.

The Accounts and Audit Regulations 2015 require that the pre-audit Statement of Accounts is signed by the responsible financial officer and published by the 31 May. The audited accounts must be approved by Members and published by the 31 July.

The Statement of Accounts will be available for public inspection from 1 June 2018 to 12 July 2018; and will be audited by Ernst & Young during June and July. Final accounts will be presented to this Committee for approval as its meeting on 31 July.

This report also summarises the Council's approach to debt collection and write-off, as requested by Members at the Audit Committee meeting on 8 March 2018.

RECOMMENDATIONS:

That the Audit Committee:

1. Notes this report in respect of the Council's Statement of Accounts for 2017/18;
2. Notes the draft Annual Governance Statement in the Annual Financial Report 2017/18

IMPLICATIONS:1 COUNCIL STRATEGY OUTCOME

- 1.1 Preparation of the Annual Financial Report (comprising of the Statement of Accounts, Narrative Statement and the Annual Governance Statement) is fundamental to the operation of the Council. Although not directly linked to an individual Council Strategy Outcome, achieving all the outcomes must go hand in hand with accounting for how taxpayers' money has been spent. Additionally, the Council has a statutory responsibility to publish a statement of accounts annually.

2 FINANCIAL IMPLICATIONS

- 2.1 None

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None

4 WORKFORCE IMPLICATIONS

- 4.1 None

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None

6 CONSULTATION AND COMMUNICATION

- 6.1 The accounts are published alongside a public notice setting out the public inspection rights and arrangements under the Accounts and Audit Regulations 2015. The public has 30 working days to inspect the accounts and may also ask questions of and make objections to the auditor at any point during this time.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 None

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None

10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Legal:</i>	A comprehensive project plan for the	None

Failure to meet the statutory deadline for publication of the unaudited accounts	delivery of the accounts closedown has been used to monitor the progress of the accounts production.	
<i>Reputation:</i> The accounts are qualified by external audit as being materially misstated.	The accounts are prepared in accordance with the CIPFA Code of Practice and are both planned and reviewed using the CIPFA Disclosure Checklist. Early communication / agreement of accounting treatment with external auditors.	None

## 11 SUPPORTING INFORMATION:

### 11.1 The Annual Financial Report 2017/18

#### 11.2 **Presentational changes**

##### i. Cost of Services

The service analysis presentation in the Cost of Services section of the Comprehensive Income and Expenditure Statement (CIES) and the Expenditure and Funding Analysis (note 2) has been updated to reflect the current basis of internal financial performance reporting. During 2017/18 financial performance was monitored by Cabinet on a Council Strategy outcome basis, previously a directorate basis was used. The prior year comparators in the CIES and Expenditure and Funding Analysis have been restated and the service analysis reported in the 2016/17 financial statements has been set out in note 3.

##### ii. Housing Revenue Account dwelling asset depreciation

From April 2017 the Council has been required to calculate depreciation on all HRA properties in accordance with proper practices; splitting assets into components with similar useful lives when doing the calculation. Previously, depreciation on HRA dwellings was an amount equivalent to the Major Repairs Allowance (MRA) element of the Housing Revenue Account Self-Financing Determination. The depreciation value for 2017/18 is £6.2million, compared to £5.6million in 2016/17.

##### iii. Note 25: Grant Income

The presentation of this note has been changed to provide additional detail about grant income credited to the Taxation and Non-Specific Grant Income section of the CIES. Subtotals have also been added to reflect the lines on the CIES.

#### 11.3 **Annual Governance Statement**

11.4 The updated Annual Governance Statement (AGS) for 2017/18 is included in the draft Annual Financial Report, pages 67 to 70 of Appendix 1 to this report.

- 11.5 Audit Committee is not required to approve the AGS at this time, but to note its inclusion within the Annual Financial Report.
- 11.6 A more detailed report covering the AGS will be presented to this Committee at its next meeting on 31 July, where members will be asked to formally approve the document.
- 11.7 **Management of doubtful debts**
- 11.8 At its meeting on 8 March 2018 the Committee requested further information regarding the Council's outstanding debts and approach to managing bad debts.

The Council broadly has four types of debts that are managed by responsible departments:

- Housing debts (predominantly rents)
- Revenues debts (Council Tax and Business Rates)
- Housing Benefit overpayment recovery
- Sundry debts (all other debts)

The recovery of debt is done in accordance with the Council's *Procedures for Collection of Debts and Revenues Debt Collection Policy*. These documents set out the detailed steps that are followed for each of the different types of debt being recovered.

The Council also calculates an allowance for doubtful debts. This accounting entry is an estimate of how much of the total debt balance at the 31 March each year will become irrecoverable in the next accounting period. This adjustment ensures that the debtors figure shown on the balance sheet is a realistic value. For example, in 2017/18 an allowance of £0.88million has been calculated for trade debtors totalling £4.85 million (see note 31 of the Statement of Accounts).

If it is deemed that a debt cannot be recovered then it is written off (subject to the approvals required by the Constitution).

Internal audit review the collection all types of debt on their rolling programme of core accounting audits. Council tax was audited in 2016/17; sundry debts, housing benefits overpayments and NNDR was audited in 2017/18 and housing rents and debt management is due to be audited during 2018/19.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 None

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

AUD208 – Planning for and Audit of the 2017/18 Accounts (8 March 2018)

Other Background Documents:-

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom  
2017/18

Financial Instruction: Procedures for Collection of Debts

Revenues Debt Collection Policy

APPENDICES:

Appendix 1 – Annual Financial Report for the Year Ended 31 March 2018 (Pre-Audit)