REPORT TO	ON
Governance Committee	28th June 2017

Jan 2017

SOUTH RIBBLE BOROUGH COUNCIL
forward with South Ribble

TITLE	AUTHOR	Agenda item No.
Unaudited Statement of Accounts for Year Ending 31 March 2017	**Lee Hurst**	**9**

1. PURPOSE OF THE REPORT

1.1 To give members sight of the draft Core Financial Statements plus comment thereon. These statements will form part of the Council's year end statutory Statement of Accounts (SOA) for 2016/17 which must be signed and authorised for issue by the Acting Chief Finance Officer by the 30th June 2017.

1.2 To advise Members about the statutory requirements for signature, audit, inspection and publication of the accounts and Members' role in the process leading up to the formal submission of the SOA for approval in September 2017 following completion of the external audit.

1.3 To provide Members with an update on the progress towards meeting the earlier statutory deadline for approval and publication of the SOA in time for its 2017/18 introduction.

1.4 To present the Draft Statement of Accounts 2016/17 to Members included at Appendix A.

2. RECOMMENDATIONS

2.1 Members are asked to note the report.

3. CORPORATE PRIORITIES

The report relates to the following corporate priorities:

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire		Efficient, effective and exceptional council	✓

4. BACKGROUND TO THE REPORT – STATEMENT OF ACCOUNTS 2016/17

4.1 This report sets out and discusses the Core Financial Statements and other supporting information and seeks to bring to your attention the significant changes from the previous year. The statements and notes presented to you are the:-

- Expenditure and Funding Analysis
- Comprehensive Income and Expenditure Statement

- Movement in Reserves Statement
- The Balance Sheet
- Cash Flow Statement
- Collection Fund Account

4.2 This report explains the Council's year-end financial position as presented in the Statement of Accounts for 2016/17. It does not make detailed comparisons between actual revenue and capital expenditure compared to budgeted expenditure for 2016/17. Budget monitoring reports have been presented to Governance Committee throughout the year, and the Budget Outturn report for 2016/17 is elsewhere on the agenda.

4.3 Under the Accounts and Audit Regulations 2015 the Annual Governance Statement must be included as part of the Statement of Accounts. The Annual Governance Statement is reported separately on this Governance Committee agenda but, once approved, will be published as part of the full Statement of Accounts in line with the publication requirement outlined in section 6 below.

4.4 Also under the 2015 Regulations, a Narrative Statement must be prepared to support the Statement of Accounts. It must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the relevant financial year. This will also be included in the full published Statement of Accounts.

4.5 To assist Members in their role of scrutinising and approving the Statement of Accounts by 30th September 2017 there will be a Member's learning hour with Shared Financial Services officers on 13th July 2017 at 18:00.

5. APPROVAL AND PUBLICATION OF THE UNAUDITED STATEMENT OF ACCOUNTS

5.1 The Accounts and Audit Regulations came into force on the 1st April 2015 and bring forward the statutory timetable for production, approval and audit of the Statement of Accounts but 2016/17 remains a transitional year. Therefore the following key dates and requirements or force for the 2016/17 Statement of Accounts.

5.2 The responsible financial officer must sign and date the Statement of Accounts and certify that it presents a true and fair view of the financial position of the Authority at the year end and the income and expenditure for the year, commence the period for the exercise of public rights and notify the local auditor of the date on which that period was so commenced. This must be done by 30th June 2017. There is no requirement for Members to approve the Statement of Accounts at this stage in the process.

5.3 The responsible financial officer must, on behalf of the authority, publish (which must include publication on the authority's website) the statement of accounts along with the Annual Governance Statement and a narrative report and a declaration, signed by that officer, to the effect that the status of the statement of accounts is unaudited and that the statement of accounts as published may be subject to change. The regulation also states that the period for the exercise of public rights is treated as being commenced on the day following the day on which all of these obligations have been fulfilled. The responsible finance officer must also ensure that commencement of the period for the exercise of public rights takes place on such a day that includes the first 10 working days of July and continues for a single period of 30 working days.

6. APPROVAL AND PUBLICATION OF THE AUDITED STATEMENT OF ACCOUNTS

6.1 The Council's External Auditors have already begun their final audit work during with the aim of completing the audit by mid-July. The Accounts will be available for public inspection from Monday 3 July 2017 for a period of 30 working days. This will be advertised on the Council's website from 1st July.

6.2 Once the Statement of Accounts 2016/17 has been audited, The Accounts and Audit Regulations 2015 specify the following requirements.

6.3 The responsible financial officer must reconfirm on behalf of the authority that they are satisfied that the statement of accounts presents a true and fair view of the financial position of the Authority at the year end, and the income and expenditure for the year before that authority approves it. Then the authority, following the conclusion of the period for the exercise of public right, and in the following order must:
(a) consider, either by way of a committee or by the members meeting as a whole, the statement of accounts;
(b) approve the statement of accounts by a resolution of that committee or meeting;
(c) ensure that the statement of accounts is signed and dated by the person presiding at the committee or meeting at which that approval is given.

6.4 An authority then must, after approving the statement of accounts, but not later than 30th September, publish (which must include publication on the authority's website)
(a) the statement of accounts together with any certificate or opinion, entered by the local auditor;
(b) the annual governance statement; and
(c) the narrative statement.

7. MAIN ACCOUNTING ISSUES 2016/17

7.1 The financial year 2015/16 saw a period of relative technical stability but the financial year 2016/17 saw the introduction of some significant changes to the format of the Statement of Accounts. Following The Chartered Institute of Public Finance and Accountancy's (CIPFA) 'Telling the Story' consultation, the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 was updated in two main ways

- to allow local authorities to report on the same basis as they are organised by breaking the formal link between the CIPFA's Service Reporting Code of Practice (SeRCoP) and the Comprehensive Income and Expenditure Statement, and
- to introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the previous segmental reporting note.

7.2 As a result a number of changes have been made to the Council's core financial statements and new notes introduced to provide further information. The Comprehensive Income and Expenditure Account is now prepared in the same format as the Council's internal organisational and reporting structure. The key emphasis is on presenting figures in the financial statements in the same way as they are presented during the year in budget monitoring reports. The service analysis required by CIPFA's SeRCoP, which utilised standard headings for services such as Central Services, Corporate and Democratic Core, Environment & Regulatory, Cultural & Related Services, etc. and which required support services and overheads to be apportioned (recharged) to these standard headings, will no

longer be used in the financial statements. Instead the financial statements will be prepared on an organisational basis reporting at directorate level.

7.3 In accordance with the requirements of International Accounting Standard (IAS) 1 and The CIPFA Code, the new reporting format for the Comprehensive Income and Expenditure Account required full retrospective restatement. There is no impact on the balance sheet information as a result of the changes and therefore a third balance sheet is not required. As mentioned above, the Expenditure and Funding Analysis has also been introduced to reconcile the Council's financial performance based on the General Fund Balance to the Surplus and Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

7.4 CIPFA's publication called "Understanding Local Authority Financial Statements", which presented and explained the new formats, was presented to Governance Committee on 12th April 2017. These changes will also be covered in the forthcoming Member's Learning Hour.

8. ANALYSIS OF THE DRAFT CORE FINANCIAL STATEMENTS 2016/17 - THE EXPENDITURE AND FUNDING ANALYSIS NOTE

Expenditure and Funding Analysis

8.1 As described in Section 7, this new note was introduced by the 2016/17 Code of Practice to reconcile the Council's financial performance based on the General Fund Balance to the Surplus and Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

8.2 The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. The 2016/17 Code of Practice requires that authorities give the EFA 'due prominence' but leave its exact positioning in the Statement of Accounts down to authorities to decide for themselves. We have chosen to position the note before the Comprehensive Income and Expenditure Statement to provide a link between the General Fund performance outlined in the Narrative Statement presented in the first pages at the beginning of the Statement of Accounts with the financial statements prepared under generally accepted accounting practices later in the Statement of Accounts.

8.3 Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2015/16				2016/17		
Net Expenditure chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000		Net Expenditure chargeable to the General Fund Balance £'000	Adjustments between the Finding and Accounting Basis £'000	Net Expenditure in the CIES £'000
2,035	207	2,242	Chief Executive	2,041	153	2,194
4,443	4,651	9,094	Neighbourhood, Environment and Asset Management	4,250	1,953	6,203
829	704	1,533	Development, Enterprise and Communities	1,335	724	2,059
2,617	360	2,977	Governance and Business Transformation	2,588	215	2,803
9,924	**5,922**	**15,846**	**Net cost of Service**	**10,214**	**3,045**	**13,259**
(13,388)	(3,568)	(16,956)	Other Income and Expenditure	(13,029)	(1,519)	(14,548)
(3,464)	**2,354**	**(1,110)**	**(Surplus) / Deficit in year**	**(2,815)**	**1,526**	**(1,289)**
(12,314)			Opening General Fund Balance at 1 April 2016	(15,778)		
(3,464)			Add Surplus / Less Deficit on General Fund Balance in Year	(2,815)		
(15,778)			**Closing General Fund Balance at 31 March 2017**	**(18,593)**		

8.4 The EFA shows:

- The cost of providing services reported in the EFA on a funding basis, i.e. chargeable to the General Fund Balance and which excludes accounting adjustments for items such as depreciation and capital income, shows that net directorate expenditure moved relatively little between 2015/16 and 2016/17. The most significant movement was in the net expenditure of the Development, Enterprise and Communities directorate. This movement, from £0.829m in 2015/16 to £1.335m in 2016/17 totalled £0.506m and mainly relates to the City Deal where income received through Community Infrastructure Levy and New Homes Bonus was paid over to the City Deal during 2016/17.
- The Net Cost of Service chargeable to the General Fund Balance for the year was £10.214m. This is an overall increase of only £0.290m when compared to 2015/16.
- Similarly, net income from Other Income and Expenditure moved very little. The movement mainly relates to changes in government funding levels. While some grants increased, such as New Homes Bonus, others reduced, such as Revenue Support Grant leading to an overall reduction of £0.359m. More information about funding levels is available in the Budget Outturn Report elsewhere on this agenda.
- Overall this resulted in a surplus of £2.815m on the General Fund Balance in 2016/17. £2.412m of this surplus relates to budgeted and actual transfers to Earmarked Reserves with the remaining £0.403m being the actual year end outturn surplus as identified in the Budget Outturn Report.

- Presented in the other columns of the EFA are the accounting adjustments required under generally accepted accounting practice to be charged to each directorate and Other Income and Expenditure, and how this impacts on the Net Expenditure shown in the Comprehensive Income and Expenditure Account.

9. ANALYSIS OF THE DRAFT CORE FINANCIAL STATEMENTS 2016/17

Comprehensive Income and Expenditure Statement

9.1 This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the amount to be funded from taxation, since authorities raise taxation to cover expenditure in accordance with regulations. The taxation position is shown in the Expenditure and Funding Analysis at paragraph 8.3 and the Movement in Reserves Statement at paragraph 9.3.

2015/16 Restated				2016/17		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
2,457	(215)	2,242	Chief Executives	2,508	(314)	2,194
11,812	(2,718)	9,094	Neighbourhoods, Environment and Asset Management	9,572	(3,369)	6,203
3,584	(2,051)	1,533	Development, Enterprise and Communities	4,250	(2,191)	2,059
27,161	(24,184)	2,977	Governance and Business Transformation	26,185	(23,382)	2,803
45,014	**(29,168)**	**15,846**	**Cost of Services**	**42,515**	**(29,256)**	**13,259**
256	(72)	184	Other operating expenditure	320	(38)	282
3,332	(3,359)	(27)	Financing and investment income and expenditure	4,001	(3,612)	389
12,808	(29,921)	(17,113)	Taxation and non-specific grant income	12,078	(27,297)	(15,219)
61,410	**(62,520)**	**(1,110)**	**(Surplus) / deficit on provision of services**	**58,914**	**(60,203)**	**(1,289)**
		(2,604)	(Surplus) / deficit on revaluation of Property, Plant and Equipment assets			(107)
		(6,218)	Re-measurement of the net defined benefit liability			4,982
		(8,822)	**Other Comprehensive (Income) and Expenditure**			**4,875**
		(9,932)	**Total Comprehensive (Income) and Expenditure**			**3,586**

9.2 The most significant issue in the CIES is the change in reporting format for service expenditure from the standard CIPFA SeRCoP headings to the Council's own internal organisational and reporting structure basis. This required restatement of the 2015/16 figures for comparative purposes. On this new comparative basis, overall most of the figures have not changed significantly between the two years.

- The most significant movement is in the Neighbourhoods, Environment and Asset Management directorate which holds the Council's operational property portfolio. The movement is not apparent in the EFA as it relates mainly to accounting adjustments for property valuations. The reduction in expenditure of £2.240m from £11.812m to £9.572m is attributable to the reduction in value of a number of leisure facilities (£0.971m) and the Civic Centre (£0.951m) during 2015/16, charges which were not incurred during 2016/17. Although these capital charges must be recognised in the Comprehensive Income and Expenditure Account for accounting purposes, they must not be counted as expenditure for the purposes of taxation and so are removed in the Movement in Reserves Statement.
- The increase in expenditure in the Development, Enterprise and Communities directorate relates to the payment over of New Homes Bonus and Community Infrastructure Levy to the City Deal during 2016/17 as explained in paragraph 8.4.
- Governance and Business Transformation – both income and expenditure have reduced by approximately £1.000m. This is attributable to the reduction in Housing Benefits payments and the equivalent decrease in grant received from central government to fund those payments.
- Financing and Investment Income and Expenditure - The main reason for the increase in expenditure is the change in value of property in the investment property portfolio which resulted in a gain, and so income, of £0.271m. This was due to an increase in valuation during 2015/16 but which resulted in expenditure of £0.332m during 2016/17 due to a reduction in value, resulting in a total movement in expenditure of £0.603m.
- Taxation and Non-Specific Grant Income - Recognised Capital Grants and Contributions income reduced by £3.310m to £0.308m (as explained in paragraph 9.8, movement in Capital Grants Unapplied Reserve) and New Homes Bonus increased by £0.646m, but Revenue Support Grant fell by £0.760m and Retained Business Rates income increased by £0.959m. Other general government grants fell by £0.212m. This contributed to an overall decrease in income of £2.624m. In relation to the decrease in expenditure, this movement related to Retained Business Rates where the Levy reduced by £0.629m to £0.112m as a result of being a member of the Lancashire Business Rates Pool which enables us to retain 90% of the Levy on growth normally paid to central government.
- Finally, under Other Comprehensive Income and Expenditure there was a relatively small revaluation gain on Property, Plant and Equipment of £0.107m which is held in the Revaluation Reserve until it can be realised on disposal of the assets to which it relates. This is a movement of £2.497m from the previous year and is mainly due to a large upward valuation of the Tennis Centre in 2015/16. Additional, there has been an overall actuarial loss on the re-measurement of the net defined benefit liability of £4.982m compared to the £6.218m gain in 2015/16, a movement of £11.200m. These two movements account for the majority of the movement in Total Comprehensive Income and Expenditure of £13.518m to expenditure of £3.586m in 2016/17. The actual surplus on the provision of service in 2016/17 stands at £1.289 and was broadly comparable with the 2015/16 surplus of £1.110m. More detail on pensions is provided in the Balance Sheet section of this report.

Movement in Reserves Statement (MiRS)

9.3 This statement shows the levels of reserves, and movements therein. These indicate the underlying financial strength of the Council. This statement distinguishes usable from unusable reserves. "Usable" are available to fund expenditure or reduce local taxation. Unusable includes the Revaluation Reserve (holding unrealised gains in property values), and other reserves holding amounts arising from differences between the accounting basis used in compiling the Comprehensive Income and Expenditure Statement and the statutory basis prescribed for taxation purposes. The statement starts by showing the surplus or deficit arising in the year on the Provision of Service. This is the true economic cost of providing the authority's services (as detailed in the Comprehensive Income and Expenditure Statement). For the purposes of council tax setting however, a series of statutory adjustments are then made, these adjustments are shown in total below and by directorate in the Expenditure and Funding Analysis.

9.4 The MiRS has been streamlined for 2016/17 as a result of the changes described in section 7. Previously the MiRS identified Earmarked Reserves as a separate column and the movement between them and the General Fund Balance shown as separate line in the MiRS. It was felt unnecessary as the movement in Earmarked Reserves is shown in a specific note in the Statement of Accounts (note 10). Earmarked Reserves are now amalgamated with the General Fund Balance in the MiRS.

	General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2015	**(12,314)**	**(2,017)**	**(3,544)**	**(17,875)**	**(564)**	**(18,439)**
Movements in 2015/16						
Total Comprehensive Income & Expenditure	(1,110)	0	0	(1,110)	(8,822)	(9,932)
Adjustments between accounting basis & funding basis	(2,354)	(72)	(3,224)	(5,650)	5,650	0
(Increase) / Decrease in year	**(3,464)**	**(72)**	**(3,224)**	**(6,760)**	**(3,172)**	**(9,932)**
Balance at 31 March 2016	**(15,778)**	**(2,089)**	**(6,768)**	**(24,635)**	**(3,736)**	**(28,371)**
Movements in 2016/17						
Total Comprehensive Income & Expenditure	(1,289)	0	0	(1,289)	4,875	3,586
Adjustments between accounting basis & funding basis	(1,526)	(17)	317	(1,226)	1,226	0
(Increase) / Decrease in year	**(2,815)**	**(17)**	**317**	**(2,515)**	**6,101**	**3,586**
Balance at 31 March 2017	**(18,593)**	**(2,106)**	**(6,451)**	**(27,150)**	**2,365**	**(24,785)**

9.5 The above statement shows, subject to approval, that there was a surplus on the provision of services in the year, calculated according to generally accepted accounting practice, of

£1.289m (surplus of £1.110m 2015/16). The adjustments of £-1.526m (£-2.354m in 2015/16) required for the purposes of calculating local taxes have been added to this resulting in a surplus to be added of the General Fund Balance of £2.815m (surplus of £3.464m in 2015/16). The change in adjustments between an accounting basis and a funding basis under regulation from £-2.354m in 2015/16 to £-1.526m in 2016/17 is mainly due to the movement from a £1.252m adjustment for the estimated accumulated deficit attributable to South Ribble Borough Council on the Collection Fund during 2015/16 to a £0.114m adjustment for the estimated accumulated surplus during 2016/17, and an increase in the reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure from £0.823m in 2015/16 to £2.193 in 2016/17. Additionally, capital expenditure financed from revenue increased from £0.524m to £0.900m. Although the actual surplus or deficit on the Collection Fund must be recognised in the Comprehensive Income and Expenditure Account for accounting purposes, it must not be counted as income or expenditure for the purposes of taxation and so is replaced with the estimated surplus or deficit here. Similarly, £2.282m (£4.591m in 2015/16) of depreciation and revaluation losses that have been charged to the Comprehensive Income and Expenditure Account for accounting purposes must not be counted as expenditure for the purposes of taxation and so are removed here.

9.6 Of the £2.815m surplus calculated for taxation purposes, a net £2.412m was transferred to earmarked reserves (£2.770m transferred to earmarked reserves in 2015/16). This leaves a total increase on the general fund balance in the year of £0.403m (increase of £0.745m in 2015/16). This leaves a General Fund Balance at year end of £18.593m (15.778m in 2015/16) of which £4.597m relates to general balances (£4.194m in 2015/16) and £13.996m relates to Earmarked Reserves (£11.584m in 2015/16). More information about these movements is provided in the Budget Outturn Report 2016/17 elsewhere on the agenda.

9.7 The sum in the Capital Receipts Reserve increased by £0.017m to £2.106m (in 2015/16 this increased by £0.072m to £2.089m). This is the result of new capital receipts of £0.038m and use of capital receipts to fund capital expenditure in 2016/17 of £0.021m (no use of capital receipts in 2015/16). These will be carried forward to fund future capital expenditure.

9.8 The Capital Grants Unapplied Reserve increased by £0.316m to £6.451m (increased by £3.224m to £6.768m during 2015/16). This is due to receipts and transfers in year of £1.350m, £0.783m of which were applied to finance capital expenditure in year and reclassification of £0.641m to either Capital Grants Receipts in Advance or the General Fund Balance for use to finance revenue expenditure. Again these will be carried forward to fund future capital expenditure. Information about capital receipts and their usage is provided in the Budget Outturn Report 2016/17 elsewhere on the agenda.

Balance Sheet

9.9 The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. It shows the net assets of the authority which are matched by the reserves held. Reserves are reported in two categories. 'Usable Reserves' includes reserves available to provide services and other reserves which may only be used to fund capital expenditure or repay debt. 'Unusable Reserves' fall into two categories, the first consists of the Revaluation Reserve which holds unrealised gains and losses in asset values. The second category holds amounts resulting from the "adjustments between the accounting basis and the funding basis", as shown in the Movement in Reserves Statement.

31 March 2016 £'000		31 March 2017 £'000
28,163	Property, Plant & Equipment	27,690
11,556	Investment Property	11,480
62	Intangible Assets	168
68	Long Term Debtors	56
39,849	**Long Term Assets**	**39,394**
6,006	Short Term Investments	14,009
93	Inventories	97
2,988	Short Term Debtors	2,636
18,401	Cash and Cash Equivalents	14,870
27,488	**Current Assets**	**31,612**
0	Bank overdraft	(118)
(6,193)	Short Term Creditors	(6,540)
(1,320)	Provisions	(1,200)
(7,513)	**Current Liabilities**	**(7,858)**
(250)	Long Term Creditors	(221)
(748)	Other Long Term Liabilities	(645)
(30,252)	Net Pension Liability	(36,703)
(203)	Grant Receipts in Advance - Capital	(794)
(31,453)	**Long Term Liabilities**	**(38,363)**
28,371	**Net Assets**	**24,785**
(24,635)	Usable Reserves	(27,150)
(3,736)	Unusable Reserves	2,365
(28,371)	**Total Reserves**	**(24,785)**

9.10 A summary of changes on the Balance Sheet worthy of further explanation are:

- An overall decrease in the value of Property, Plant and Equipment (PPE) of £0.473m due to additions (capital expenditure) of £1.730m and a decrease in value of £0.225m on revaluation, less a reduction in value of £1.895m as a result of depreciation and reclassifications to other categories of assets totalling £0.083m.

- Liquid resources (Cash and Cash Equivalents and Bank Overdraft) have decreased from £18.401m to £14.752m and Short Term Investments have increased from £6.006m to £14.009m. This is an overall increase in cash backed resources of £4.354m. In general terms this in line with the with a several events in the financial year including receipt of £1.388m of capital receipts, grants and contributions in the year, a surplus on the General Fund of £2.815m, an increase in creditors of £0.347m and the reduction in debtors of £0.352m. These resources are mainly held as investments (£27.048m) and in call accounts (£1.830m) with some other small cash in hand balances.
- The above statement shows that the net pension liability has increased by £6.451m to £36.703m. This is mainly due to the £4.982m actuarial loss on the re-measurement of the net defined benefit liability in the Comprehensive Income & Expenditure Statement. This figure is always subject to large, in year variations as it is calculated using estimates based on the actuary's assessment of the present value of the liabilities to be met by the fund over a very long period, less its current assets and anticipated future receipts. Despite the plan assets making a return of £11.886m during 2016/17, changes in financial assumptions relating to the plan liabilities totalling £20.693m, largely down to the triennial revaluation during 2016, increased the pension liability and therefore the net liability shown in the Balance Sheet.
- Overall, the net worth of the authority (Total Reserves) has reduced by £3.586m. This movement is analysed in the Movement in Reserves Statement and is mainly due to the surplus on provision of services of £1.289m, the reduction in capital receipts, grants and contributions after use in year of £0.300m, the revaluation gain on Property, Plant and Equipment of £0.107m and the movement in the Pensions Reserve used to hold the balancing adjustment relating to the Net Pensions Liability described above.

Cash Flow Statement

9.11 This shows the changes in cash and cash equivalents during the reporting period. It shows how cash and cash equivalents are generated and used by classifying cash flows into operating, investment and financing activities.

2015/16 £'000		2016/17 £'000
1,110	Net surplus or (deficit) on the provision of services	1,289
7,989	Adjustments to net surplus or deficit on the provision of services for non-cash movements	4,833
(4,297)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(798)
4,802	**Net cash flows from Operating Activities**	**5,324**
(1,233)	Investing Activities	(8,243)
(2,298)	Financing Activities	(730)
1,271	**Net increase or (decrease) in cash and cash equivalents**	**(3,649)**
17,130	Cash and cash equivalents at the beginning of the reporting period	18,401
18,401	**Cash and cash equivalents at the end of the reporting period**	**14,752**

9.12 The key points to note are:-

- Overall the authority generated a net inflow of cash of £5.324m from Operating Activities. This is consistent with the ability to transfer £0.403m surplus on the general fund to the General Fund Balance and £2.412m to Earmarked Reserves, an increase in creditors of £0.347m and the reduction in debtors of £0.352m.
- Investing Activities – The £8.243m outflow of cash is essentially the result of the net increase in short term investments to the value of £8.000m resulting from the increase in available cash (as explained in the balance sheet analysis section) and also includes the purchase of property, plant and equipment to the value of £1.714m less the receipt of £1.350m of capital grants and contributions.
- Financing Activities – This figure includes the effect of the Council's activities as the agent for collecting business rates and council tax. The reduction in cash outflow is consistent with the fact that during 2015/16 the Collection Fund generated a £3.339m deficit in year while during 2016/17 a surplus of only £0.946m was generated.

Collection Fund

9.13 The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities (SRBC) to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers, and distribution to local authorities and the Government, of council tax and non-domestic rates.

2015/16 Business Rates £'000	2015/16 Council Tax £'000		2016/17 Business Rates £'000	2016/17 Council Tax £'000
		Income		
	55,308	Council Tax Receivable		57,711
39,584		Business Rates Receivable	40,014	
39,584	**55,308**	**Total Income**	**40,014**	**57,711**
		Expenditure		
		Apportionment of Previous Year Surplus/(Deficit)		
1,202		Central Government	382	
961	189	South Ribble Borough Council (note **Error! Reference source not found.** page 62)	306	(9)
216	969	Lancashire County Council	69	(44)
	136	Police & Crime Commissioner for Lancashire		(6)
24	56	Lancashire Combined Fire Authority	8	(3)
		Precepts, Demands and Shares		
18,736		Central Government	19,473	
14,989	7,435	South Ribble Borough Council (note **Error! Reference source not found.** page 62)	15,578	7,575
3,372	38,926	Lancashire County Council	3,505	40,903
	5,480	Police & Crime Commissioner for Lancashire		5,648
375	2,235	Lancashire Combined Fire Authority	389	2,280
39,875	**55,426**	**Total Expenditure**	**39,710**	**56,344**
		Charges to Collection Fund		
83	94	Write offs of uncollectable amounts	13	238
370	196	Increase / (Decrease) in Bad Debt Provision	97	69
2,114		Increase / (Decrease) in Provision for Appeals	206	
127		Cost of Collection Allowance	128	
(54)		Transitional Protection Payments	(26)	
2,640	**290**	**Total Charges to the Collection Fund**	**418**	**307**
(2,931)	**(408)**	**Surplus / (deficit) arising during the year**	**(114)**	**1,060**
		Collection Fund Balance		
3,707	896	Surplus / (deficit) brought forward at 1 April	776	488
(2,931)	(408)	Surplus / (deficit) arising during the year	(114)	1,060
776	**488**	**Surplus / (deficit) carried forward at 31 March**	**662**	**1,548**
		Allocated to		
310	67	Transfer to / (from) Collection Fund Adjustment Account (Note **Error! Reference source not found.**f page 77)	265	207
388		Central Government	331	
70	352	Lancashire County Council	59	1,125
8	20	Lancashire Combined Fire Authority	7	62
	49	Police & Crime Commissioner for Lancashire		154

776	**488**	**Surplus / (deficit) carried forward at 31 March**	**662**	**1,548**

9.14 The main points to note relating to the Collection Fund are as follows:-

- The Collection Fund in relation to Council Tax has generated a surplus in the year of £1.060m (deficit of £0.408 in 2015/16).
- The Collection Fund in relation to Business Rates has generated an in year deficit of £0.114m (deficit of £2.931m in 2015/16).

9.15 The Council Tax element of the Collection Fund accumulated surplus is £1.548m at the 31st March 2017, of which this Council's share was £0.207m. This was credited to the CI&ES, but was then transferred to the Collection Fund Adjustment Account in accordance with statutory requirements.

9.16 The Business Rates element of the Collection Fund accumulated surplus is £0.662m at the 31st March 2017, of which this Council's share was £0.265m. This 40% share of the surplus was credited to the CI&ES, but was then transferred to the Collection Fund Adjustment Account in accordance with statutory requirements.

10. PROGRESS IN ACHIEVING EARLY CLOSURE

10.1 In order to achieve the earlier statutory deadlines which apply in respect of the 2017/18 Statement of Accounts and audit, a review and streamlining of the year-end closedown process, including the external audit arrangements, was required. This was necessary to ensure that the Council's audited accounts could be published two months earlier than they are at present, by 31st July from 2018.

10.2 The accounts closure timetable for 2016/17 set deadlines which ensured that the Statement of Accounts was available for certification by the Responsible Financial Officer by 31 May 2017. Pleasingly, this challenging deadline was achieved and the financial aspects of the accounts were complete by the 19th May 2017.

10.3 Due to this progress, it is with great pleasure that we are able to include the Draft Statement of Accounts 2016/17 at Appendix A. This draft Statement of Accounts has been provided with a number of pages removed. This is because the Narrative Report, which will take up pages 4 to 22, relies on information from within the Corporate Plan Year-end Performance Report and Budget Outturn Report which are yet to be approved by the relevant committees. Similarly the Annual Governance Statement, which will take up pages 29 to 38, is also yet to be approved by Governance Committee and the Independent Auditors Report, which will take up pages 26 to 28, will not be received until after the conclusion of the audit. As these pages currently only contain placeholders they have been removed to save paper.

11. WIDER IMPLICATIONS AND BACKGROUND DOCUMENTATION

11.1 Comments of the Statutory Finance Officer

The draft Statement of Accounts 2016/17 has been prepared in compliance with relevant accounting standards and codes of practice and there are no direct financial implications for the Council's budget as a result of the recommendation within this report above.

Over and above the straight forward financial commitments to the budget, I am exceptionally pleased to report that the SOAs was finalised well in time to meet the end of May deadline that comes into effect next year. This is purely down to the hard work of the team in making changes

to the final accounts processes making them agile and able to maintain a very efficient and effective pace throughout the project implantation.

11.2 **Comments of the Monitoring Officer**

There are no comments from the Monitoring Officer as the report is for information purposes only and demonstrates compliance with legislation as described within the report.

Other implications:	
• **Risk**	Risk implications apply in relation to the Accounts and Audit Regulations 2015 to prepare financial statements in accordance with the statutory timetable. The accounts must be compliant with the relevant standards and must be prepared on a true and fair view basis. Failure to comply could result in a failure to meet the statutory duty
• **Equality**	None
• **HR**	None

8. BACKGROUND DOCUMENTS

- Accounts and Audit (England) Regulations 2015
- CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17
- Budget Outturn Report 2016/17 (elsewhere on this agenda)

APPENDICES

Appendix A – The Draft Statement of Accounts 2016/17