

Financial Statements 2016/17

Report by: Gary Fairley, Head of Finance and Integrated Service Support

1 Purpose of Report

The purpose of this report is to present the Councils audited Financial Statements to Audit Committee and to provide an overview of main changes made during the audit process.

2 Background

- 2.1** The audited accounts including the audit certificate are attached. There is a separate item on today's agenda containing the External Annual Audit Report.
- 2.2** The accounts were completed and submitted by the statutory date of 30 June 2017. The audit has been completed within the timescale of 30 September 2017 as set by Audit Scotland.
- 2.3** The audit certificate on the Council's accounts for the year ended 31 March 2017 is contained within the accounts and concludes that the accounts present a true and fair view of its financial position.
- 2.4** There were several adjustments made to the accounts during the audit process. The principal changes are noted below:
- An update to the value of the Council's Long Term Investments. At the time of producing the unaudited accounts the 2016 results of Lothian Buses were not public. This information came available during the audit process and using the share of net assets method the value of the Council's shareholding reduced from that presented in June by £0.254 million;
 - A reduction in the value of Property, Plant and Equipment shown in the balance Sheet of £4.837 million for land that has been transferred from General Services to the Housing Revenue Account. Consequently there is a reduction in the value of the Capital Fund of £5.778 million and an increase in the Capital Adjustment Account of £0.881 million;
 - A reduction to the value of the Council's Property, Plant and Equipment in the Balance Sheet of £2.917 million as a consequence of updated valuations for Newbattle High School, Paradykes and Stobhill land and buildings. This equates to a small reduction of 0.4% in the value of Property, Plant and Equipment from that included in the unaudited accounts;
 - Presentational adjustments in the gross to net position in the Comprehensive Income and Expenditure Statement, in Scottish Government funding for the Council Tax Reduction Scheme and in the presentation between Debtors and Creditors for Non Domestic Rates.

- 2.5** These adjustments have no impact on the General Fund Balance of £17.651 million or the Housing Revenue Account Reserve Balance of £29.754 million. As noted in the second point in section 2.4 above the Capital Fund Balance has reduced by £5.778 million and is now £16.707 million. Although this is a reduction in the Council's Useable Reserves as at 31 March 2017 the revised treatment will result in a corresponding reduction in Loan Charges charged to the General Fund over the coming years.
- 2.6** The Accounts show a prior year restatement to the Balance Sheet with the opening position for 2016/17 now reflecting the outstanding liability payable to the Scottish Government in respect of the Borders Railway agreement and a corresponding change to the Capital Adjustment Account. This has no impact on useable reserves or the contractual relationships the Council has or will have with developers through section 75 agreements or with the Scottish Government. The Council will continue to collect money from developers on some sites through section 75 agreements and an element of this will be passed on to the Scottish Government to discharge the outstanding liability.

3 Report Implications

3.1 Resource

There are no direct resource implications arising from this report.

3.2 Risk

Section 95 of the Local Government (Scotland) Act 1973 requires all Local Authorities in Scotland to have adequate systems and controls in place to ensure the proper administration of their financial affairs. The Council's Standing Orders and Financial Regulations detail the responsibilities of members and officers in relation to the conduct of the Council's financial affairs.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

3.4 Key Priorities within the Single Midlothian Plan

The proposals in this report do not directly impact on the delivery of key priorities.

3.5 Impact on Performance and Outcomes

The proposals in this report do not directly impact on performance or outcomes.

3.6 Adopting a Preventative Approach

The proposals in this report do not directly impact on the adoption of a preventative approach.

3.7 Involving Communities and Other Stakeholders

No consultation was required.

3.8 Ensuring Equalities

There are no equality implications arising directly from this report.

3.9 Supporting Sustainable Development

There are no sustainable development issues raised in this report.

3.10 IT Issues

There are no IT issues raised in this report.

4 Recommendation

The Audit Committee is invited to consider and approve the Audited Financial Statements 2016/17.

Date: 22 September 2017

Report Contact:

Name David Gladwin Tel No 0131 271 3113

David.gladwin@midlothian.gov.uk