

## **Financial Statements for the year ended 31 March 2017**

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

#### **1 Purpose of Report**

The purpose of this report is to present the Council's audited Financial Statements for 2016/17 to Council and to provide a brief overview of the changes made during the audit process. The audited accounts have been circulated to members.

#### **2 Background**

In accordance with regulation 6(1) of the Local Authority Accounts (Scotland) regulations 1985 (as amended) the audited Financial Statements for the year ended 31 March 2017 are today laid before Council. The accounts were presented to Audit Committee on Tuesday 26<sup>th</sup> September.

##### **2.1 Changes to Accounts through the Audit Process**

There are no qualifications to the Financial Statements. Ernst & Young LLP, the Council's external auditors, presented their report on the 2016/17 Annual Accounts Audit to Audit Committee on 26<sup>th</sup> September 2017 and it is also included on today's agenda. The main findings during the audit were:

- 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.

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 bullet point 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.

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**

Whilst this report deals with financial issues there are no financial implications arising directly from it.

#### **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 Impact on Performance and Outcomes**

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

### **3.5 Adopting a Preventative Approach**

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

### **3.6 Involving Communities and Other Stakeholders**

No consultation was required.

### **3.7 Ensuring Equalities**

There are no equality implications arising directly from this report.

### **3.8 Supporting Sustainable Development**

There are no sustainability issues arising from this report.

### **3.9 IT Issues**

There are no IT implications arising from this report.

## **4 Recommendations**

It is recommended that Council endorse the contents of this report.

13<sup>th</sup> October 2017

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#### **Background Papers:**