**REPORT TO A MEETING OF DUSTON PARISH COUNCIL TO BE HELD ON 26 JUNE 2018**

**AGENDA ITEM 14 – ANNUAL RETURN, GOVERNANCE STATEMENT AND END OF YEAR ACCOUNTS 2017/18**

**1. PURPOSE OF THE REPORT**

To provide the Council with a commentary on the year end figures for 2017/18. To ask the Council to approve the year end accounts, Annual Governance and Accountability Return for 2017/18.

**2. BACKGROUND INFORMATION**

2.1The accounts are prepared by methods that comply with the standard accounting practices and are based on the following basic concepts:

Going Concern – The accounts are prepared on the assumption that the Council will remain in existence for the foreseeable future. The alternative to this would be the ‘winding up’ basis which would value the assets at the level they could be sold for at the date of the accounts.

The Matching Principle – Incomes or Benefits are matched to their associated costs and reported in the most appropriate financial period.

Consistency – The same accounting principles are used and uniformly applied from one year to the next to ensure figures are comparable year on year.

Prudence – Where alternative outcomes are possible the one which produces the lowest profit, lower asset value or higher liability is chosen. The prevents overstatement of profit or benefit.

2.2 The Council is subject to intermediate audit by PKF and have made minor modifications to the Annual Return, now known as the Annual Governance and Accountability Return. The Council are asked to approve this statement and authorise the Chairman to sign the same.

**3. YEAR END ACCOUNTING ADJUSTMENTS**

A computerised accounting systems records transactions strictly by invoice date, date of payment or date of banking for receipts. Where this would cause an item to be reported in the wrong financial period a manual adjustment is required to correct the accounts.

**Prepayments** – where items are paid or invoiced in advance for a service which extends beyond the end of the financial year the cost must be split pro rata between the two financial periods. An example of this is the rents for St Luke’s Centre which are paid at various points during the financial year.

In the accounts for the year to 31st March 2018 the following adjustments were made:

|  |  |  |
| --- | --- | --- |
| Prepayments | 2016/17  £ | 2017/18  £ |
| BT Redcare Analogue Legacy | 1,400 | 0 (not paid 17/18) |
| Bee Tee Alarms 1/4/18 – 31/3/2019 | 1,205 | 1,229 |
| Came and Co Insurance | 5,546 | 5,600 |
| Came and Co Vehicle Insurance | 365 | 355 |
| RBS Omega system 18/19 maintenance | 0 (not invoiced March 2017) | 765 |
| RBS Booking system 18/19 maintenance | 0 (not invoiced March 2017) | 275 |
| Marquee Deposit (event July 18) | 546 | 140 |
| EPOS system in deposit and in advance | 105 | 0 (system no longer in place) |
| Subs in advance SLCC | 0 | 381 |
| Utilities to be recharged to tenants | 1,599 | 2,714 |
| **TOTAL** | 10,766 | 11,459 |

**Accruals –** Where the benefit of goods or services has been received or a cost incurred but an invoice from the supplier has not been received by the year end an adjustment is required to recognise the expenditure within the appropriate year, In the accounts for the year to 31st March 2018 the following adjustments were made:

|  |  |  |
| --- | --- | --- |
| **Accruals** | **2016/7**  **£** | **2017/18**  **£** |
| Telephone | 760 | 645 |
| PKF Audit Fee | 2,000 | 1,300 |
| Accountant – Year End Accounts | 0 | 3,000 |
| Electricity Pendle Road | 1,664 | 1,606 |
| Gas St Lukes | 750 | 600 |
| Electric St Lukes | 500 | 750 |
| Water St Lukes | 250 | 275 |
| Water Pendle Road | 580 | 175 |
| Complete Ground Management | 0 | 1,159.17 |
| **TOTAL** | 6,504 | 9,510.17 |

**Deferred Income** – Where a sales invoice in raised in advance for an event or service that takes place in the following financial period then this income must be adjusted to transfer it in to the accounts for the following year. An example of this might be payment for stalls/pitches at Fun Day.

|  |  |  |
| --- | --- | --- |
| **Deferred Income** | **2016/17**  **£** | **2017/18**  **£** |
| Tenant (office 5) | 1,549 | Left March 2018 |
| Tenant (office 4) | 1,545 | 1,529 |
| Tenant (Nursery Room) | 8,740 | 8,835 |
| Tenant (office 2) | 1,199 | 1,186 |
| Tenant (office 1) | 2,079 | 2,057 |
| Tenant (office 3) | 993 | 982 |
| Room Hire – events after year end | 1,628 | 829 |
| Celebrate Duston – Table top money in advance | 112 | 159 |
| **TOTAL** | 17845 | 15577 |

**4. OTHER BALANCE SHEET ITEMS**

**Cash and Bank Balances –** At the 31st March the Council held £536,031.97 in bank accounts and £280.15 in petty cash and various floats. The balance per the bank statements before taking into account uncleared items as at 31 March 2018 totalled £540,362.53.

The Council is required to ensure that is has sufficient funds to be able to pay staff salaries, trade creditors, HMRC and pension scheme contributions in April before the first half of the follow year’s precept is received at the end of April. The first instalment of the precept amounting to £233,600 was received as cleared funds on 19 April 2018.

**Debtors –** The year end debtor balance represents the following:

|  |  |  |
| --- | --- | --- |
| **Debtors** | **2016/17**  **£** | **2017/18**  **£** |
| Debtors | 9,558.63 | 48,850.70 |
| HMRC (VAT refund due) | 90,471.47 | 75,392.94 |
| Disputed Debtor | 220.00 | 220.00 |
| Bad debt Provision | 0.00 | -7,758.00 |
| Prepayments | 10,766.00 | 11,459.00 |
| **TOTAL** | 111,016.10 | 128,164.64 |

**Creditors** – The year end creditor balance represents the following:

|  |  |  |
| --- | --- | --- |
| **Creditors** | **2016/17** | **2017/18** |
| Purchase Ledger (includes PAYE and LGPS) | 21,346.41 | 32,515.57 |
| VAT payable | 533.84 | 6,736.52 |
| Refundable deposits | 100.00 | 156.66 |
| Security Bonds | 150.00 | 0.00 |
| Accruals | 6,504.00 | 9,510.17 |
| Deferred income (commercial rents) | 17,845.00 | 15,577.00 |
| **TOTAL** | 46,479.25 | 64,495.92 |

\*PAYE and pension scheme (LGPS) contributions relating to the March payroll were due for payment in April.

**5. CONCLUSION**

The Council budget for 2017/18 was £694,889 and the total expenditure amounted to £729,657 however this was offset by a significantly higher income than anticipated (£631,490 budget versus an actual of £672,113). This means the Council finished the year with a net expenditure of £57,545 compared to a budgeted expenditure of £63,399 representing a favourable variance of £5,855. Key variances included in the Annual Return (those over 15%) are shown in the table below and detailed budget spreadsheets are attached as Appendix B.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2016/17**  **£** | **2017/18**  **£** | **Variance**  **£** | **Variance**  **%** | **Detailed explanation of variance (with amounts £)** |
| *Total other receipts* | 175,967 | 220,394 | 44,427 | 25% | The authority received additional room hire income in 2017/18 . A child care provider took additional rooms for part of 16/17 and then for the full year of 17/18. Income from the child care provider 16/17 = £18,787, 17/18 = £59,584. Variance = £40,797 |
| *All other payments* | 230,543 | 321,344 | 90,801 | 39% | A vacancy for both the Parish clerk and deputy clerk was temporarily filled by an interim parish clerk and also additional accountancy services. The locum parish clerk fees amounted to £36,619 and additional accountancy fees amounted to £32,735.  Agency wages (caretakers) also increased during the year whilst suitable council employees were sought. These costs increased over the previous year by £22,405.  Repairs to the car park (£24,903) were a one off cost in 2017/18. However this was offset by savings being made in the year as CCTV was no longer paid for by the parish council saving £12,210. In the previous year 16/17 one off drainage repair cost (£5,937) and painting costs (£8,845) were incurred. |

**6. TOTAL BUDGET VARIANCE ON THE GENERAL RESERVE**

The Council finished the year with a General Reserve of £427,366 (£478,194 2016/17) and earmarked reserves of £172,616 (£179,333 2016/17), resulting in an overall reserve as at 31st March 2018 of £599,981.

**7. BORROWINGS**

The Council has Public Works Loans Board borrowings of £1,796,356 as at 31st March 2018.

**8. RECOMMENDATIONS**

It is **RECOMMENDED** that:

1. The Council approve the Annual Governance and Accountability Review 2017/18 and authorise the Chairman to sign the same
2. The Council approve the end of year financial statement as a fair and accurate record of the Council’s financial position at 31st March 2018

Report by: Nina L Villa, Assistant Clerk

Associated Documents: Budget Summary by Cost Centre