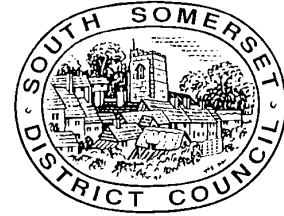


South Somerset District Council

Notice of Meeting



Audit Committee

Making a difference where it counts

Thursday 19th July 2018

10.00 am

**Main Committee Room, Council Offices,
Brympton Way, Yeovil BA20 2HT**

(disabled access and a hearing loop are available at this meeting venue)



The following members are requested to attend the meeting:

Chairman: Derek Yeomans
Vice-chairman: Tony Lock

Jason Baker
Mike Best
Carol Goodall

Anna Groskop
Val Keitch
Graham Middleton

David Norris
Colin Winder

If you would like any further information on the items to be discussed, please contact the Case Services Officer (Support Services) on 01935 462596 or democracy@southsomerset.gov.uk

This Agenda was issued on Wednesday 11 July 2018.

Alex Parmley, Chief Executive Officer

This information is also available on our website
www.southsomerset.gov.uk and via the mod.gov app



INVESTORS IN PEOPLE

Information for the Public

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The Audit Committee should review the Code of Corporate Governance seeking assurance where appropriate from the Executive or referring matters to management on the scrutiny function.

The terms of reference of the Audit Committee are:

Internal Audit Activity

1. To approve the Internal Audit Charter and annual Internal Audit Plan;
2. To receive quarterly summaries of Internal Audit reports and seek assurance from management that action has been taken;
3. To receive an annual summary report and opinion, and consider the level of assurance it provides on the council's governance arrangements;
4. To monitor the action plans for Internal Audit reports assessed as "partial" or "no assurance;"
5. To consider specific internal audit reports as requested by the Head of Internal Audit, and monitor the implementation of agreed management actions;
6. To receive an annual report to review the effectiveness of internal audit to ensure compliance with statutory requirements and the level of assurance it provides on the council's governance arrangements;

External Audit Activity

7. To consider and note the annual external Audit Plan and Fees;
8. To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken;

Regulatory Framework

9. To consider the effectiveness of SSDC's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action is being taken;
10. To review the Annual Governance Statement (AGS) and monitor associated action plans;
11. To review the Local Code of Corporate Governance and ensure it reflects best governance practice. This will include regular reviews of part of the Council's Constitution and an overview of risk management;
12. To receive reports from management on the promotion of good corporate governance;

Financial Management and Accounts

13. To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised;

14. To provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices. The committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators to Council;
15. To review and recommend to Council changes to Financial Procedure Rules and Procurement Procedure Rules;

Overall Governance

16. The Audit Committee can request of the Section 151 Officer, the Monitoring Officer, or the Chief Executive (Head of Paid Services) a report (including an independent review) on any matter covered within these Terms of Reference;
17. The Audit Committee will request action through District Executive if any issue remains unresolved;
18. The Audit Committee will report to each full Council a summary of its activities.

Meetings of the Audit Committee are usually held monthly including at least one meeting with the Council's external auditor, although in practice the external auditor attends more frequently.

Agendas and minutes of this committee are published on the Council's website at www.southsomerset.gov.uk

Agendas and minutes can also be viewed via the mod.gov app (free) available for iPads and Android devices. Search for 'mod.gov' in the app store for your device and select 'South Somerset' from the list of publishers and then select the committees of interest. A wi-fi signal will be required for a very short time to download an agenda but once downloaded, documents will be viewable offline.

Members questions on reports prior to the Meeting

Members of the Committee are requested to contact report authors on points of clarification prior to the Committee meeting.

Recording and photography at council meetings

Recording of council meetings is permitted, however anyone wishing to do so should let the Chairperson of the meeting know prior to the start of the meeting. The recording should be overt and clearly visible to anyone at the meeting, but non-disruptive. If someone is recording the meeting, the Chairman will make an announcement at the beginning of the meeting. If anyone making public representation does not wish to be recorded they must let the Chairperson know.

The full 'Policy on Audio/Visual Recording and Photography at Council Meetings' can be viewed online at:

<http://modgov.southsomerset.gov.uk/documents/s3327/Policy%20on%20the%20recording%20of%20council%20meetings.pdf>

Audit Committee

Thursday 19 July 2018

Agenda

Preliminary Items

1. Minutes

To approve as a correct record the minutes of the previous meeting held on Thursday 28th June.

2. Apologies for absence

3. Declarations of Interest

In accordance with the Council's current Code of Conduct (as amended 26 February 2015), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the agenda for this meeting.

4. Public question time

5. Date of next meeting

Councillors are requested to note that the next Audit Committee meeting is scheduled to be held at 10.00am on Thursday 25th October in the Main Committee Room, Brympton Way, Yeovil.

Items for Discussion

6. 2017/18 Annual Governance Statement (Pages 5 - 13)

7. External Audit - Audit Findings Report (Page 14)

Report to follow.

8. Statement of Accounts 2017/18 (Pages 15 - 20)

9. Summary Statement of Accounts (Pages 21 - 26)

10. Audit Committee Forward Plan (Pages 27 - 28)

Agenda Item 6

2017/18 Annual Governance Statement

Executive Portfolio Holder: Ric Pallister – Leader of the Council
Lead Officer: Paul Fitzgerald – S151 Officer
Contact Details: Paul.Fitzgerald@southsomerset.gov.uk or 01935 462226

Purpose of the Report

This report has been prepared for the Audit Committee to approve the Annual Governance Statement (AGS) for 2017/18.

Recommendation(s)

Audit Committee approves the 2017/18 Annual Governance Statement.

Background

As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. One of the Council's requirements in demonstrating this is to produce an Annual Governance Statement (AGS).

The Chartered Institute of Public Finance and Accountancy (CIPFA) provide guidance on the processes for the establishment, operation and review of the system of internal control. Their guidance also provides help on the format and content of the AGS.

Annual Governance Statement

The Accounts and Audit (England) Regulations 2015 includes a requirement to publish an Annual Governance Statement (AGS). The regulations require authorities to carry out in each financial year a review of the effectiveness of their system of internal control and may include an Annual Governance Statement in the annual accounts. This is to provide assurance that SSDC has a sound internal control framework in place to manage the risks that might prevent achievement of its statutory obligations and organisational objectives.

The statement also reflects the compliance with the "Statement on the Role of the Chief Finance Officer in Local Government (2016) and the CIPFA statement of the Role of the Head of Internal Audit (2010)." This is evidenced within the Annual Governance Statement where the authority meets with best practice.

The Annual Governance Statement is required to be signed by the Leader of the Council and the Chief Executive.

The Statement also reflects Public Sector Internal Audit Standards (PSIAS). The Standards also require a Quality Assurance and Improvement Programme which has been included within the Review of Internal Audit and will be monitored by the Audit Committee.

In producing the Annual Governance Statement, reports from SSDC's external auditors, South West Audit Partnership, a review of the effectiveness of internal audit, the annual review of the Assistant Director of SWAP, and a review of all Statements of Operational Service Internal Controls have been undertaken. The review has been completed by the Senior Leadership Team (SLT) comprising the Chief Executive, Directors, Monitoring Officer and S151 Officer.

There are no significant issues to be addressed. Significant issues are issues that would be highlighted through SLT in carrying out its Corporate Governance function, the S151 Officer, by Internal Audit as a risk score of 5, or highlighted through the work of External Audit. The action plan included within the Annual Governance Statement will further strengthen the control framework.

The style of presentation of the Annual Governance Statement will be reviewed during 2018 to reflect requirements and good practice in latest guidance.

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: None

ANNUAL GOVERNANCE STATEMENT 2017/18

Scope of responsibility

SSDC is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards;
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

SSDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, SSDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

SSDC has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework "*Delivering Good Governance in Local Government*". A copy of the authority's code can be obtained on request. This statement explains how SSDC has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 46, which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and process, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process that is designed to:

- identify and prioritise the risks to the achievement of SSDC's policies, aims and objectives;
- evaluate the likelihood and potential impact of those risks being realised;
- managing the risks efficiently, effectively and economically.

The governance framework has been in place at SSDC for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

The governance environment

The key elements of SSDC's governance arrangements are outlined in the Local Code of Corporate Governance. The main areas and the key areas of evidence of delivery are as follows:

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- The Council Plan sets out the priority areas for South Somerset District Council.
- Annual accounts are published on a timely basis to communicate the council's activities and achievements, its financial position and performance.
- Guidance has been produced to facilitate partnership working and a Partnership Register published and updated annually.
- All reports to be considered for approval must show a clear outline of purpose so the community can understand each committee report. All reports must have a clear outline of financial implications before consideration by members.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

- The three statutory officers (Head of Paid Service, Monitoring Officer and S151 Officer) are part of the Senior Leadership Team (SLT) which meets regularly. SLT now incorporates the responsibilities of the previous Corporate Governance Group. The Chief Executive, Monitoring Officer and S151 Officer also meet regularly with the Internal Audit Assistant Director within SWAP.
- Regular weekly meetings between the Leader and Chief Executive in order to maintain a shared understanding of roles and objectives.
- Protocols developed and enforced to ensure effective communication between members and officers in their respective roles.
- Regular meetings are held between the Executive members and senior management.
- There is a clear scheme of delegation for officers and members within the Constitution.
- The S151 Officer leads the promotion and delivery of good financial management through SLT and Leadership Meetings, Leadership and Management Team, attendance at committees, is the lead officer for the Audit Committee, and specialist workshops and training. The S151 Officer has professional leadership responsibility for the finance function.
- Through a review and update of the approach to strategic planning for Council priorities and services, a schedule of reviews of council policies is being developed during 2018. This aims to ensure all policies are up to date and fit for purpose.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The financial management of the Council is conducted in accordance with the rules set out in Part 4 of the Constitution.
- The Council maintains an Internal Audit Service through the South West Audit Partnership (SWAP) that operates to standards specified by the Chartered Institute of Internal Auditors (CIIA) and the CIPFA statement of the Role of the Head of Internal Audit (2010) but with some delegation within SWAP.

- There is a countywide code of conduct and this is regularly reviewed by the Standards Committee.
- There is a voluntary Standards Committee in place with an agreed constitution containing its terms of reference.
- Regular communication is made through Staff Awareness Sessions, the Staff Portal (intranet), Transformation Tuesday bulletins, and Yammer. Targeted communication is also applied as appropriate e.g. all-staff briefings on progress of the Council's Transformation Programme.
- A new Attitudes and Approaches Framework has been introduced to underpin the development of a new culture within the organisation that aligns with the Future Operating Model and transformed council.
- The Council received an IIP (Investors In People) gold award in March 2015.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- The Council has adopted a Constitution that sets out how it operates, how decisions are taken and the procedures to follow.
- The District Executive facilitates decision-making and its Sub Committees, four Area Committees and meetings are open to the public except where personal or confidential matters are disclosed.
- Portfolio Holders can make decisions under delegated authority and these are fully publicised. Senior officers can also take decisions under delegated authority.
- Regulation Committee determines planning applications that are referred from Area Committees.
- The Council publishes a Forward Plan that provides details of key decisions to be made by the Council and its committees.
- Area Committees also hold regular workshops where local issues are identified and discussed.
- The Council has an approved Risk Management Policy that identifies how risks are managed.
- Responsible officers are required to maintain their part of the Risk Register.
- Any Internal Audit actions showing the highest risk score of 5 will be outlined annually and monitored within the Annual Governance Statement. There are no Priority 5 audit actions arising through the 2017/18 audit plan.
- In August 2017 new governance arrangements were approved by Full Council that surrounds the Council's commercial strategy, including robust arrangements for assessing commercial investments and with significant delegated authority to the Chief Executive to approve investments in consultation with the Leader of the Council.

Developing the capacity and capability of members and officers to be effective

- The Council looks to develop skills on a continuing basis to improve performance of officers. A new Personal Development Plan process is being rolled out for staff, supported with briefings and training, to help staff manage their training and development.
- Succession planning encourages participation and development for members and officers through a comprehensive member training and development programme.
- An induction programme is in place for all new staff and newly elected members.
- Clear job descriptions and personal specifications are in place for all roles. These have been updated to reflect the new roles that form the Future Operating Model which is part way through phased implementation under the Council's transformation programme.
- The S151 Officer and three Finance Specialists are professionally qualified accountants with several years' experience, and another Finance Specialist is studying for a relevant professional accounting qualification. There are sufficient resources within the finance community of practice to perform its role effectively. Additional specialist resources and advice are obtained as necessary to meet business requirements.

Engaging the local people and other stakeholders to ensure robust public accountability

- Area Committees ensure further local accountability and local access.
- Budget consultation has been carried out for specific savings plans and equalities assessments carried out on each proposal.
- A summarised Statement of Accounts is published each year explaining the key financial areas to the public.

Review of effectiveness

SSDC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of SLT, the Transformation Board, and a survey of Leadership and Management Team. There is also an annual report from the Internal Audit Lead (SWAP), and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied to maintaining and reviewing the effectiveness of the governance framework includes:

- The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are adequate. The Council reviews the constitution annually through its Standards Committee.
- The Council has a Scrutiny Committee that can call in any decision made by an Executive Committee before implementation. This enables them to consider whether or not the decision is appropriate. Pre-decision scrutiny has evolved to aid in the decision making process.
- The Audit Committee reviews the Annual Statement of Accounts, the Review of the Effectiveness of Internal Audit, and the Annual Governance Statement. It monitors the performance of internal audit quarterly and agrees the Internal and External Audit Plans. It reviews specific parts of the Constitution and makes recommendations on any amendments to full Council.

- The Audit Committee has a call in role for any service that receives a “partial” or “no assurance” audit opinion and monitors that action plans are completed through regular reports from the Service Manager and Assistant Director / Director.
- Internal Audit through SWAP is responsible for monitoring the quality and effectiveness of systems of internal control. The Audit Service has a Charter approved by the Audit Committee each year and there are no restrictions on the scope of their work. A risk model is used to formulate the plan and it is approved by the Audit Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the Service Manager with copies to the relevant Director, S151 Officer, and Monitoring Officer. All reports are also reported to SLT. All audit reports include an ‘opinion’ that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports include recommendations for improvement that are detailed in an action plan that is agreed with the service manager.
- Internal Audit (SWAP) has adopted and works to the Standards of the Institute of Internal Auditors and is further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).
- For performance management, a monitoring and reporting system is in place reporting quarterly to the Executive Committee. As part of the Council’s transformation agenda the performance management framework and systems is being reviewed. This aims to clearly focus and report on performance in delivering priorities and objectives, for example as set out in the Corporate Plan.
- The Council’s Financial Procedure Rules are kept under review and revised periodically. These have not been significantly reviewed in the last twelve months however a full review is planned during 2018/19 to ensure they continue to deliver appropriate financial control and governance to the transformed Council.
- Each Manager and Director is required to review their adherence to the governance framework and demonstrate compliance through reviewing and signing a Statement of Internal Operational Control. Each return is assessed by the S151 Officer for compliance and any apparent organisational improvements are included in the Governance Action Plan. This process will be reviewed during 2018 to ensure the underlying processes for staff induction, operational management and personal development plans incorporates relevant aspects of the internal control environment. Tailored training programmes are being developed for new managers within the organisation.

Significant governance issues

There are no significant governance issues to report for 2017/18.

Actions for 2017/18 and 2018/19

The Council identified a small number of actions within the 2016/17 Annual Governance Statement. The transformation programme remains in progress and it is evident that the implementation of actions agreed last year may not be completed until 2018/19.

Governance arrangements will need to be reviewed as part of transformation to ensure our risk management and systems of internal control remain fit for purpose.

Ref	Action	Responsible Officer	Target Completion Date
	Actions Identified in 2017/18 AGS:		
1	<p>Review of the Risk Management Strategy to include consideration of transformation and commercial income generation priorities.</p> <p>Update: As part of our Future Model design a new post (Specialist – Procurement & Risk) has been built into the structure. An offer of employment has been made for this post, with a start date of 1 July 2018. This role will then take a lead on developing a new RMS. Over the last few months there has been a review of the Strategic Risk Register, in light of the Transformation Programme and our approach to Commercial opportunities. This has resulted in some work with SWAP on identifying suitable Strategic Risks. This will all feed into the new RMS outlined above.</p>	Director of Strategy and Support Services	December 2018
2	<p>Review of Strategic Planning and Service Planning requirements reflecting new ways of delivering service activities under the new Future Operating Model.</p> <p>Update: Work has progressed well on this to date, with a new approach to our annual planning cycle being developed, and shared with Members in April and May. A new approach to our Council Plan has also taken place which incorporates our new Area + working model, which will come into effect in 2019, as well as clear KPI which show how we are delivering against our key priorities.</p>	Director of Strategy and Support Services	June 2018
3	<p>Review of governance arrangements to ensure these are updated to reflect the transformed council and its services</p> <p>Update: Work has started on this, and where possible, we are endeavouring to work jointly with Taunton Deane.</p>	Director of Strategy and Support Services	December 2018
	Additional Actions for 2018/19:		
4	Review and update Authorised Signatories and establish process of regular review under future operating model.	S151 Officer	July 2018
5	Complete the roll out of development and improvement of the Council's performance measurement and reporting framework, including Personal Development Plans for all staff.	People, Performance and Change Lead	December 2018
6	Complete review of all HR policies.	HR Lead Specialist	December 2018
7	Review the style and content of the Annual Governance Statement in light of guidance and best practice, and update for the 2018/19 AGS.	S151 Officer	March 2019

Signed on behalf of SSDC:

Alex Parmley
Chief Executive

Cllr Ric Pallister
Leader

Agenda Item 7

External Audit - Audit Findings Report

Report and appendix to follow.

Agenda Item 8

Statement of Accounts 2017/18

Director Netta Meadows, Support Services
S151 Officer Paul Fitzgerald, S151 Officer
Lead Specialist: Nicola Hix, Finance
Contact Details: nicola.hix@southsomerset.gov.uk or 01935 462612

Purpose of the Report

1. This report presents the 2017/18 Statement of Accounts to Audit Committee for approval.

Recommendations

2. To note the external auditor's unqualified opinion on the financial statements.
3. To approve the 2017/18 Statement of Accounts. A copy of the Statement of Accounts has been circulated separately with this agenda.
4. To authorise that the S151 Officer sign the Letter of Representation.

Background

Please contact Nicola Hix before the meeting on 01935 462612 with any questions on the information presented.

5. As a local authority SSDC is required to demonstrate compliance with the underlying principles of good governance and that a framework exists to demonstrate this. By preparing and publishing the annual Statement of Accounts the Council achieves the objective of accountability.
6. As previously reported to the Committee, the Accounts and Audit Regulations (England) 2015 came into force on 1 April 2015 bringing changes to requirements for the approval and publication of the annual Statement of Accounts, including:
 - For the 2017/18 Accounts onwards, the responsible finance officer certifies the annual accounts no later than 31 May and that they must be published with the audit opinion, having been approved by members and re-certified by the responsible finance officer, no later than 31 July.
 - The responsible finance officer must ensure that the period for the exercise of public rights includes the first 10 working days of June. The period for the exercise of public rights (which includes the rights of objection, inspection and questioning of the external auditor) may only be exercised within a 30 day period.
 - The inclusion of a narrative statement, including commentary by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the relevant financial year.
7. The Statement of Accounts for 2017/18 has been prepared following International Financial Reporting Standards (IFRS) and in compliance with the Local Authority Accounting Code of Practice.

8. This report:

- Outlines the key features of the 2017/18 revenue outturn position
- Summarises the 2017/18 capital outturn position
- Presents the 2017/18 Statement of Accounts and explains the key features and reasons for variations within those accounts
- A response to the auditor's report.

Key Features of the 2017/18 Outturn Reports

Revenue Outturn

9. The end of year position of Net Expenditure against the Net Budget – the “outturn” - for SSDC Services in 2017/18 is a net underspend of £663,318 (3.7%). Below is a summary of the figures presented to the District Executive on 5th July 2018.

Table 1 – Revenue Budget Outturn 2017/18

Service	Original Budget £'000	/Movement During the Year £'000	Final Budget £'000	Actual Spend £'000	Variation on Spend £'000	Variation on Spend after Carry Forwards
Chief Executive	842.3	577.2	1,419.5	1,974.1	554.6	554.6
Support Services	5,447.5	-102.5	5,345.0	4,799.2	-545.8	-522.9
Communities	1,258.3	23.3	1,281.6	1,172.7	-108.9	-38.2
Service Delivery	2,669.5	-112.2	2,557.3	1,853.2	-704.1	-679.1
Commercial Services & Income Generation	7,161.6	217.2	7,378.8	7,519.7	140.9	140.9
	17,379.2	603.0	17,982.2	17,318.9	-663.3	-544.7

(Negative figures = income / reduction in budget, positive figures = costs)

Carry Forwards

10. The District Executive approved £118,648 of specific carry forwards into 2018/19.

Revenue Balances and Reserves

11. SSDC has £4.361 million of revenue balances with £4.043 million remaining uncommitted at the year end. At the year end the estimated requirement was to retain between £2.8m and £3.1m to meet SSDC's key financial risks.
12. Revenue Earmarked Reserves totalled £18.176m at the end of the financial year. These reserves are actual cash sums set-aside for specific purposes.

Capital Outturn Report

13. The overall position for the Capital Budget for 2017/18 is that total net spending amounted to £15.276m; this was £5.212m (52%) more than the original planned net expenditure of £10.064m. Amendments have been reported to members each quarter and the revised Capital Programme approved. The figure reported here is slightly different to that reported on the

Capital Outturn report taken to DX in July. This is due to a change required with the treatment of an asset purchase in the accounts following discussions with our external auditors. This will be reported to DX in August as part of the Capital Qtr 1 Report.

Loans

14. As part of the agreed loans policy the amount of any outstanding loans issued by the Council to third parties at the end of each financial year must be reported to District Executive. Outlined below is the summary of the figures presented to the District Executive on 5th July 2018 for loan balances as at 31 March 2018:

Table 2 – Outstanding Loans 2017/18

Borrower	Original Sum Lent £	Fixed Interest Rate	Amount Outstanding at 31st March 18 £	Period of Loan	Final Repayment Date
Hinton St George Shop	190,000	2.67%	164,731	20 years	February 2036
Somerset Waste Partnership	1,567,216	2.22%	1,233,809	7 years	August 2023
Total Outstanding			1,398,540		

15. There is also £9,172 outstanding in sale of council house mortgages, and £63,479 in car and bike loans.
16. Wessex Home Improvement Loans (WHIL) works in partnership with the Council to provide finance to home owners for essential maintenance and improvement works to their property. Loans are increasingly replacing grants allowing the Council to re-circulate funds. The Council has £672,988 of capital invested with WHIL. As at 31st March 2018 there was £360,801 on the loan book and £312,187 as available capital.

Statement of Accounts

17. The external auditor – Grant Thornton – will review the annual Statement of Accounts and supporting working papers and will issue their opinion as to whether the Statement presents a true and fair view of the financial position of South Somerset District Council at 31 March 2018 and its income and expenditure for the year then ended. The Audit Findings Report is included on the agenda for this Committee.
18. A copy of the Statement of Accounts has been circulated separately with this agenda. In addition, a Summary Statement has been produced to highlight key information in a more accessible format for the end user.

Key Features from the Statement of Accounts

19. The Statement of Accounts contains four core statements reflecting the financial position of SSDC as at 31 March 2018. These are:
- Comprehensive Income and Expenditure Statement
 - Movement in Reserves Statement
 - Balance Sheet

- Cash Flow Statement.

20. There is also an additional statement and notes relating to the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates).
21. It is a statutory requirement for all local authority financial statements to be IFRS compliant.

Comprehensive Income and Expenditure Statement

22. This account gives detailed information about the total expenditure on the services SSDC provide. It also shows the council tax and government grants received to help pay for those services. The net operating expenditure figure is reconciled to the outturn spend position to District Executive in the following way:

Table 3 – CIES Extract for 2017/18

	£'000
Total Spend Reported to the District Executive	17,319
Amounts not reported to management but included on Costs of Services in Comprehensive Income and Expenditure Statement.	6,610
Net Cost of Services (taken from the Comprehensive Income and Expenditure Statement, page 36 of the financial statements)	23,929

Balance Sheet

23. The Balance Sheet provides a snapshot of our financial position overall as at the 31 March 2018. The Council's net assets amounted to £25.617m (£19.265m at 31 March 2017). This comprises both usable resources and unusable reserve account balances.
24. In practice, the amount of "net worth" that can be used is £49.61m. This can be broken down into:

Usable Capital Receipts £25.268m
 Capital Grants Unapplied £1.038m
 Earmarked Reserves £18.176m
 General Fund Balances £4.361m
 Share in Joint Venture £0.767m

25. In addition, Members will note the contingent liabilities disclosed in note 47. Contingent liabilities are possible future obligations; they are not accounted for within the balance sheet as the obligation will only be confirmed if uncertain events happen in the future. Any claims would need to be funded from SSDC balances.

Cash Flow Statement

26. This statement outlines the changes in cash and cash equivalents of the Council during 2017/18.
27. There has been a net increase in cash and cash equivalents of £0.820 million.
28. Cash Equivalents are short-term highly liquid investments that are readily convertible within 24 hours to known amounts of cash and which are subject to an insignificant risk of change in value.

Collection Fund

29. The total amount Council Tax due for the year, which SSDC has collected on behalf of all of the precepting authorities (e.g. Somerset County Council, Police and Crime Commissioner, Devon & Somerset Fire & Rescue Authority and town/parish councils) was £97.244 million. There is a deficit balance of £0.570 million on the Council Tax element of the Collection Fund account at the year end. This deficit is split in proportion to the amount of each authority's precept.
30. Business rates retention is intended to provide incentives for local authorities to drive economic growth locally. The funding regime is based on performance and has increased the need to monitor and proactively agree priorities to maximise business rate income. The share to be paid to central government from business rates collected is 50%. Therefore 50% of business rates is retained locally (40% South Somerset District Council, 9% Somerset County Council, 1% Devon & Somerset Fire and Rescue Authority). There is a deficit balance of £2.592 million at the year end. This deficit is apportioned across central government 50%, South Somerset District Council 40%, Somerset County Council 9% and Devon & Somerset Fire and Rescue Authority 1%.

Auditor's Opinion

31. An "unqualified opinion" has been issued on the financial statements by Grant Thornton – which is good news and endorses that the accounts provide a true and fair view. There is also an unqualified value for money conclusion, providing positive endorsement that the Council's has proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.
32. During the audit there were two material changes and a few minor amendments made to the financial statements following discussions with the auditors. In terms of the minor amendments, where possible processes have been put in place to eliminate errors that have been identified during the 2017/18 audit to ensure that they do not occur in future years. The two bigger changes were in relation to:

- Marlborough Investment

During the year the Council purchased land and a disused building in Marlborough with the intention to develop the land through restoration of the building and addition of further properties. These will then be sold to generate funding for the Council which can be reinvested or used to replace reduced central funding. Management discussed the treatment of this asset with us as the external auditors which has resulted in further consultation with Grant Thornton's central technical team. Following these discussions it was considered that both the land and the building, including works to make good the existing building, should be classed as inventory rather than the land held as investment land. The financial statements were amended to reflect this.

- Reclassification of Investment Assets

A review of the Council's asset based was carried out during the year, in order to identify, and rationalise, assets that could be disposed and those that served the purpose of the Council in both service delivery and income generation. A review of these reclassifications, as part of the audit process, identified that the characteristics that led to the reclassification had been present at 1 April 2016 and would require a prior period adjustment. A restated balance sheet has been produced to reflect this.

Financial Implications

33. There are no financial implications associated with these recommendations.

34. The S151 Officer would like to acknowledge the significant work of the Finance team and colleagues in preparing the annual accounts and extensive supporting information and working papers, and in supporting the audit to its successful conclusion. Thank you to all involved.

Background Papers: *Revenue outturn 2017/18*
Capital outturn 2017/18
Accounting Policies 2017/18

Agenda Item 9

Summary Statement of Accounts

<i>Director</i>	<i>Netta Meadows, Support Services</i>
<i>S151 Officer</i>	<i>Paul Fitzgerald, S151 Officer</i>
<i>Lead Officer:</i>	<i>Nicola Hix</i>
<i>Contact Details:</i>	<i>nicola.hix@southsomerset.gov.uk or 01935 462612</i>

Purpose of the Report

1. This report presents the 2017/18 Summary Statement of Accounts to Audit Committee for review and comment prior to publication. There is no formal requirement for the production of the Summary, or for the Committee to approve it. The Summary is normally signed off by the S151 Officer, and shared with the External Auditor for information.

Public Interest

2. The Summary Statement of Accounts provides a much shorter presentation of the key highlights in respect of the Council's financial performance and end of year position for the last financial year. The document is published on the Council's website.

Recommendations

3. To review and comment on the 2017/18 Summary of Accounts.

Summary Accounts

4. The Council has prepared a Summary Statement of Accounts for many years, and it is currently published on the Council's website alongside the full Statement of Accounts document. The council discontinued printing the document previously.
5. The Committee is requested to review and comment on the draft Summary, and the following points are suggested for consideration:
 - Will members of the public understand the summary i.e. is it user-friendly
 - Are the terms and wording easy to interpret i.e. using plain language
 - Are the areas of key financial performance outlined clearly
 - General feedback on its content and usefulness
6. The Council does not hold any data to confirm the number of 'hits' on the website to determine if its use is extensive, or whether readers find it useful or informative.
7. It is recognised that having a simplified version of the Council's accounts may be of benefit however it is important to consider the costs and benefit to ensure the cost of producing and publishing this document represents value for money at a time when the council needs to be more efficient and also produce the end of year accounts to an earlier timetable – compressing the time available to complete the work.

Financial Implications

8. The production of the Summary of Accounts uses the time of existing officers and is therefore currently funded within existing budgets. As the Council delivers the transformation agenda we

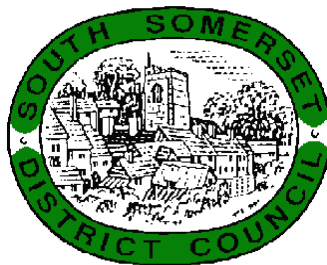
will need to be more efficient, and explore other more automated ways of providing key financial information to the public and other stakeholders.

9. The Summary of Accounts will not be printed but will be a document accessible via the Council's website.

Background Papers: None



South Somerset District Council



Summary of Accounts 2017/18

A simplified picture of the Council's 2017/18 Statement of Accounts

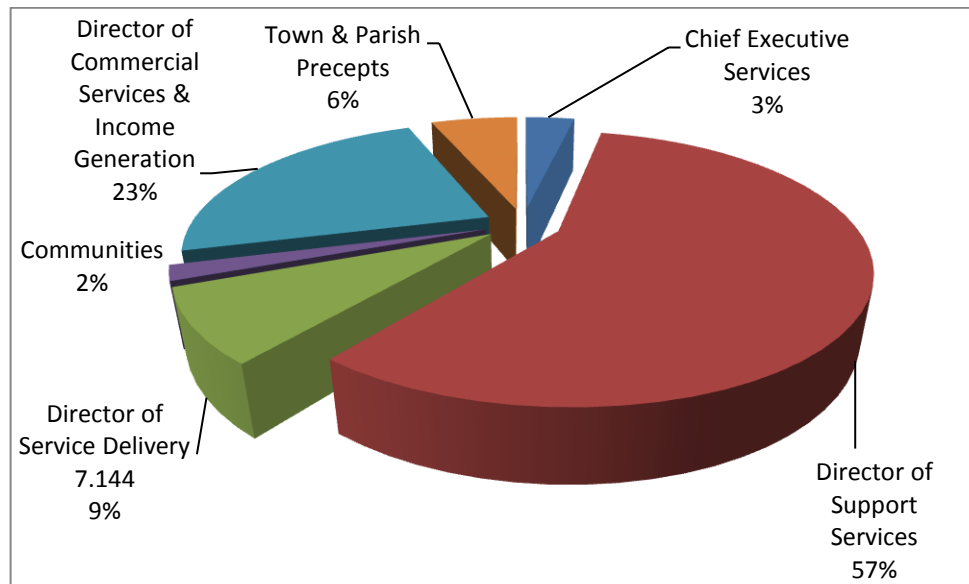
We would welcome any comments you have on the Summary of Accounts.
Please call the number below or email accountancy@southsomerset.gov.uk

A full copy of the Council's 2017/18 accounts is available on request or from the Council's website - www.southsomerset.gov.uk Please telephone 01935 462462 if you wish to be sent a copy

Where the money goes:

We spent £85.064 million on running services. These costs are included in our revenue account, which shows the costs incurred between 1st April 2017 and 31st March 2018. This is summarised in the pie chart below:

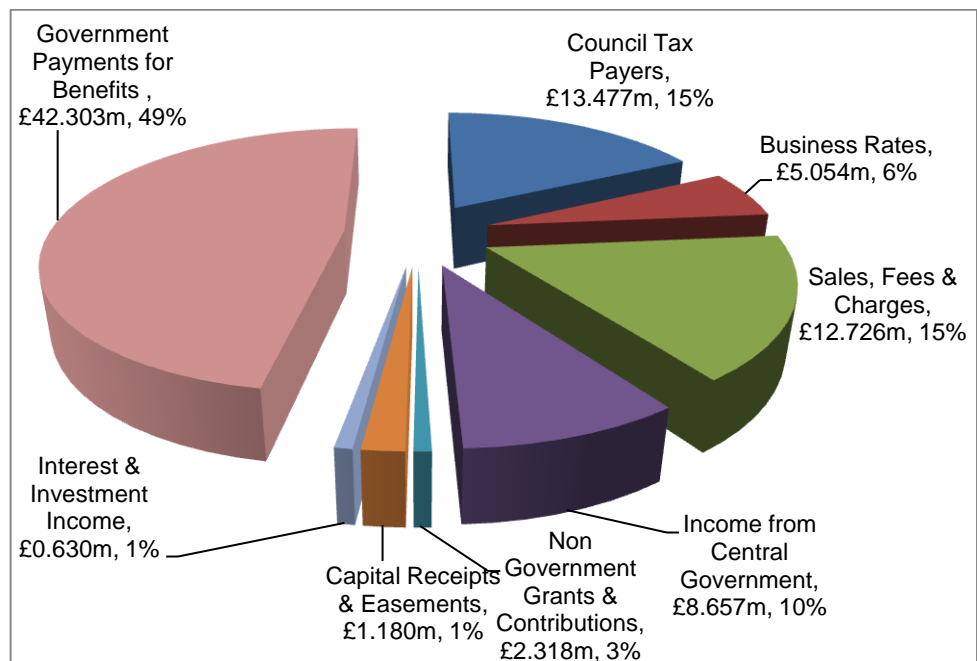
The revenue costs are those associated with day-to-day spending of the Council eg. Staff salaries, building maintenance and electricity. This is different to capital costs, which are detailed on the next page.



Where the money comes from:

The chart below shows where South Somerset District Council obtained its gross income of £81.266 million during 2017/18.

The Government payments for Benefits are ring-fenced for Benefit Payments that we make. This leaves £38.960 million available for expenditure on council services.



Deducting the income of £81.266 million from the expenditure of £85.064 million leaves a net deficit of £3.798 million.

Day to day spending

Capital Expenditure

Capital Expenditure is long term investment made by the council on upgrading and improving assets such as buildings and purchasing vehicles. The following table outlines the capital expenditure incurred during 2017/18.

Our gross capital spend for the year against the capital programme was £16.924m.

Where the money went:

Capital Expenditure	Final Budget 2017/18 £'000	Actual Spend 2017/18 £'000	Variation £'000
Investment Property	11,923	11,923	0
Sports & Play Areas	725	488	237
Vehicles, Plant & Equipment	693	551	142
Land & Buildings	2,138	1,863	275
Housing Grants	1,374	1,186	188
Intangible Assets	802	805	-3
Area Committees	358	108	250
Total Spent	18,013	16,924	1,089

Note: Explanation of individual projects is available if required.

We use a variety of sources to fund our capital spending including income from the sale of assets (capital receipts), and grants and contributions from others.

Financing of Capital Expenditure	2017/18 £'000
Capital receipts	6,195
Capital Fund	294
Capital Grants from non-government funding partners	1,250
Capital Grants from central government	774
Internal Borrowing	8,411
Gross capital spend	16,924

Statement from the S151 Officer

The council's Statement of Accounts has been prepared in accordance with the Accounting Code of Practice and has received an unqualified opinion. The figures in this summary were compiled having regard to proper accounting practices.

Capital spending

What are we worth:

What the Council owns and is owed:

Net Assets	31 March 2018 £'000
Buildings, Land and Equipment owned by the Council	73,560
Stock	2,488
Cash in Bank and Investments	34,107
Money owed to the Council (Long & Short-term Debtors)	8,456
Money owed by the council (Creditors, Provisions, Finance Leases and Developers Contributions)	(12,623)
Money owed by the council relating to the Pension Scheme	(81,138)
Total Assets less Total Liabilities	24,850

At the end of the year we draw up a balance sheet that shows how much SSDC's land and buildings are worth, what is owed to others, what others owe us and how much cash we have.

What SSDC is Worth:	31 March 2018 £'000
Usable Reserves	50,184
Unusable Reserves	54,944
Pensions Reserve	(86,471)
Total Reserves and Balances	18,657

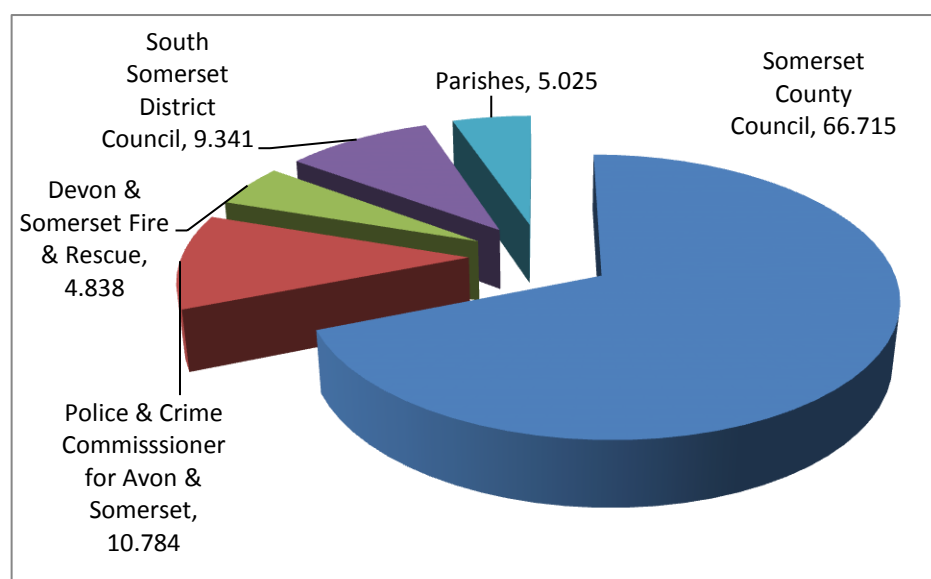
Usable Reserves are those that can be applied to fund expenditure or reduce taxation. Unusable Reserves are for technical adjustments.

(Items in brackets represent council liabilities)

Council Tax facts and figures:

Description	2016/17	2017/18
Population of South Somerset	164,982	165,000
Collection of Council Tax in year	97.73%	97.8%
Value of direct Debits	£74.453m	£78.931
% Collected by Direct Debit	79.33%	80.18%
% of Households paying by Direct Debit	68.77%	69.57%

We collect Council Tax on behalf of Somerset County Council, Avon & Somerset Police, Devon & Somerset Fire and Rescue and the Parish Councils within our district (we have no control over these authorities' expenditure). The most economical way of collecting this is by Direct Debit.



SSDC's worth

Agenda Item 10

Audit Committee Forward Plan

Lead Officer: Kelly Wheeler, Case Services Officer
Contact Details: Kely.wheeler@southsomerset.gov.uk or 01935 462038

Purpose of the Report

This report informs Members of the agreed Audit Committee Forward Plan.

Recommendation

Members are asked to comment upon and note the proposed Audit Committee Forward Plan as attached.

Audit Committee Forward Plan

The forward plan sets out items and issues to be discussed over the coming few months and is reviewed annually.

Items marked in italics are not yet confirmed.

Background Papers: *None*

Audit Committee Forward Plan

Committee Date	Item	Responsible Officer
25 Oct 18	Internal Audit Plan Progress Q2 Treasury Management Practices Treasury Management Mid-Year Performance and Strategy Update – Needs to go on to Full Council	Alastair Woodland (SWAP) Finance Specialist Finance Specialist
22 Nov 18	External Audit – Certification of Housing benefit Subsidy Claim External Audit – Annual Audit Letter Annual Fraud Programme Update	Finance Specialist (GT) Finance Specialist (GT) Legal Specialist
24 Jan 19	Internal Audit Plan Progress Q3 Treasury Management Strategy Statement 19/20 – Needs to go on to Full Council	Alastair Woodland (SWAP) Finance Specialist
28 Mar 19	Internal Audit Plan 2019/20 - approve 2019/20 plan Internal Audit – Charter External Audit Plan for 2017/18 Accounts External Audit Progress Report 2017/18 Accounts	Alastair Woodland (SWAP) Alastair Woodland (SWAP) Finance Specialist (GT) Finance Specialist (GT)