

2015/16 Annual Statement of Accounts

Strategic Director: Rina Singh, Chief Executive
Assistant Director Donna Parham (Finance and Corporate Services)
Lead Officer: Karen Gubbins, Principal Accountant
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1. Purpose of the Report

To present the 2015/16 Annual Statement of Accounts to the Audit Committee for approval.

2. Recommendation (s)

- (a) To approve the 2015/16 Statement of Accounts. A copy of the Statement of Accounts has been circulated separately with this agenda.
- (b) To note the unqualified opinion on the financial statements.
- (c) To authorise that the Assistant Director (Finance and Corporate Services) sign the Letter of Representation.

3. Background

- 3.1 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.
- 3.2 The Accounts and Audit Regulations (England) 2015 came into force on 1 April 2015 and supersede the 2011 regulations. This revised procedures for the approval and publication of the annual Statement of Accounts. The main changes include:
 - An earlier timetable for the closure of accounts. The previous regulations cited that the responsible finance officer certifies the annual accounts no later than 30th June following the financial year-end 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 30th September. The new regulations bring forward these dates to 31st May and 31st July respectively. In recognition of the revised dates the 2015 regulations makes transitory provisions for the statement of accounts relating to financial years 2015/16 and 2016/17 using the dates as per the 2011 regulations.
 - Exercise of public rights to inspect the accounts. The 2011 regulations required that the council made available the accounts and other relevant documents for public inspection for 20 working days before the date appointed by the Council's external auditor for questions and/or objections to the external auditor. The council must give at least 14 days notice of the public inspection period. The 2015 regulations require that the responsible finance officer must ensure that the period for the exercise of public rights includes the first 10 working days of June (transitional arrangements allow for this period to relate to the first 10 working days of July for reporting on financial years 2015/16 and 2016/17). 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 2015 regulations require a narrative statement to 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.

Please contact Karen Gubbins before the meeting on 01935 462456 with any questions on the information presented.

3.3 The Statement of Accounts for 2015/16 has been prepared following International Financial Reporting Standards (IFRS).

3.4 This report:

- Outlines the key features of the 2015/16 revenue outturn position;
- Summarises the 2015/16 capital outturn position;
- Presents the 2015/16 Statement of Accounts and explains the key features and reasons for variations within those accounts.
- A response to the auditor's report.

4. Key Features of the 2015/16 Outturn Reports

4.1 Revenue Outturn

4.1.1 The figures that were presented to District Executive on 7th July 2016 represent the "Above the Line" budgets that are monitored by the Executive on a quarterly basis. Members of the Audit Committee will find that the figures presented to them in the Statement of Accounts differ from those reported to District Executive as they represent both "Above" and "Below the Line" as a total cost. The "Below the Line" figures are distinguished from the "Above the Line" costs as they are outside the control of the delegated budget holder, being capital charges and recharges from support services such as Human Resources, Legal and Financial Services.

4.1.2 The overall outturn for SSDC Services in 2015/16 was £802,716 (4.5%) underspent. Below is a summary of the figures presented to the District Executive on 7th July 2016;

	Original Budget	Movement During the Year	Outturn Budget	Actual Spend	Variation
	£'000	£'000	£'000	£'000	£'000
SSDC Services	17,389.6	392.4	17,782.0	16,979.2	(802.8) F

(Note that all figures in brackets are underspends).

4.1.3 The comparative position over the last two years was 8.5% underspent in 2014/15 and 6.8% underspent in 2013/14.

4.2 Carry Forwards

4.2.1 The District Executive approved £265,530 of specific carry forwards into 2016/17.

4.3 Revenue Balances and Reserves

4.3.1 SSDC has £8.27 million of revenue balances with £3.7 million remaining uncommitted at the year end. It needs to be noted that £3.4 million will be utilised to fund a Collection Fund Deficit in terms of NDR. A review of the risks to balances is carried out on a quarterly basis. At the year end the estimated requirement was to retain between £3.3 and £3.7 million to meet SSDC's key financial risks.

4.3.2 Specific Reserves totalled £13,063,000 at the end of the financial year. These reserves are actual cash sums set-aside for specific purposes.

4.4 Capital Outturn Report

The capital programme spend for 2015/16 was £2,084,000, which equates to a 12% underspend. This compares to a 13.7% underspend in 2014/15.

5. Loans

As part of the agreed loans policy the amount of any outstanding loans 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 7th July 2016;

As at 31st March 2016 the following loan was outstanding:

Borrower	Original Sum Lent £	Fixed Interest Rate	Amount Outstanding at 31st March 2016 £	Period of Loan	Final Repayment Date
Hinton St George Shop	190,000	2.67%	189,406	20 years	February 2036
Total Outstanding			189,406		

There is also £21,944 outstanding in sale of council house mortgages, and £108,969 in car, bike and learning loans.

6. Statement of Accounts

6.1 The District Auditor will review the annual Statement of Accounts and supporting working papers and will issue their opinion as to whether they present fairly the financial position of South Somerset District Council at 31 March 2016 and its income and expenditure for the year then ended.

6.2 A copy of the Statement of Accounts has been circulated separately with this agenda. In addition to this, a summary of the statements will be prepared in leaflet format to make them more accessible to the end user.

7. Key Features from the Statement of Accounts

7.1 The Statement of Accounts contain four core statements reflecting the financial position of SSDC as at 31st March 2016. These are;

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement.

7.2 There are additional statements relating to the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates).

7.3 It is a statutory requirement for all local authority financial statements to be IFRS compliant.

8. The Comprehensive Income and Expenditure Statement

8.1 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:

	£'000
Total Spend Reported to the District Executive	16,979
Adjustments:	
Amounts not reported to management but included on Costs of Services in Comprehensive Income and Expenditure Statement.	4,380
Net Cost of Services (taken from the Comprehensive Income and Expenditure Statement, page 28 of the financial statements)	21,359

8.2 The bottom line of the Comprehensive Income and Expenditure Statement has changed from a deficit in 2014/15 to a surplus in 2015/16. This is primarily due to the 'Remeasurement of the Net Defined Benefit Liability'. The change in financial assumptions on the discount rate by the pension's actuary has resulted in this change. The discount rate is based on corporate bond yields that match the duration of the employers liabilities. Although the yields have been volatile they have increased overall which indicates a decrease in liabilities.

9. The Balance Sheet

9.1 The Balance Sheet provides the Council with a snapshot of our financial position overall as at the 31st March 2016. At 31 March 2016 the authority's net assets amounted to £38.23 million (£23.40 million at 31 March 2015).

9.2 In practice, the amount of net worth that can be used is £57.44 million (Usable Capital Receipts £34.99 million, Capital Grants Unapplied £0.52 million, Earmarked Reserves £13.06 million, General Fund Balances £8.27 million and Share in Joint Venture £0.60 million).

- 9.3 In addition, Members will note the Contingent liabilities disclosed in note 45. 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.

10. Cash Flow Statement

- 10.1 This statement outlines the changes in cash and cash equivalents of the authority during 2015/16.
- 10.2 There has been a net decrease in cash and cash equivalents of £2.26 million.
- 10.3 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.

11. Collection Fund

- 11.1 The Council Tax Reduction Scheme was introduced in 2013/14. This meant that recipients of financial assistance for their Council Tax bill received a discount on their bill rather than receiving a benefit from Central Government. The total SSDC has collected on behalf of all of the precepting authorities (e.g. Somerset County Council, Avon & Somerset Police Authority, Devon & Somerset Fire & Rescue Authority and town/parish councils) was £87.58 million. There was a deficit of £0.16 million on the Council Tax element of the Collection Fund account. This deficit is split in proportion to the amount of each authorities precept.
- 11.2 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 now 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 was a deficit of £6.57 million. This deficit is apportioned across central government, South Somerset District Council, Somerset County Council and Devon & Somerset Fire and Rescue Authority on the percentages detailed previously.

12. Auditor's Opinion

- 13.1 An unqualified opinion has been issued on the financial statements.
- 13.2 During the audit there were some minor amendments made to the financial statements following discussions with the auditors. Processes have been put in place to eliminate errors that have been identified during the 2015/16 audit to ensure that they do not occur in future years. The amendments are detailed beneath:
- 13.3 Additional disclosure against Heritage Assets for the date and method of valuation, including the details of the valuation expert.
- 13.4 Additional disclosure for accounting changes that will be required by new standards issued but not yet adopted.

- 13.5 Additional disclosure showing assets carried at historical cost compared to revalued fair value.
- 13.6 Disclosure of the change in revaluation date to 31 December and description of the change required.
- 13.7 None of the adjustments made have impacted upon the financial position of the Council.

14. Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: *Revenue outturn 2015/16*
 Capital outturn 2015/16
 Accounting Policies 2015/16
 The Audit Findings for South Somerset District Council Year
 Ended 31 March 2016 by Grant Thornton.
