

## **Statement of Accounts 2016/17**

*Director* Ian Clarke, Support Services  
*S151 Officer* Paul Fitzgerald, S151 Officer  
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### **Purpose of the Report**

1. This report presents the 2016/17 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 2016/17 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 Catherine Hood before the meeting on 01935 462157 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 reported to the Committee last year, 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 (for 2016/17, no later than 30 June) 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 (for 2016/17, no later than 30 September).
  - 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 the 2016/17 Accounts). 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 2016/17 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 2016/17 revenue outturn position
  - Summarises the 2016/17 capital outturn position
  - Presents the 2016/17 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 2016/17 Outturn Reports

### Revenue Outturn

9. The end of year position of Net Expenditure against the Net Budget – the “outturn” - for SSDC Services in 2016/17 is a net underspend of £390,670 (2.2%). Below is a summary of the figures presented to the District Executive on 6th July 2017.

Service	Original Budget £'000	Movement During the Year £'000	Final Budget £'000	Actual Spend £'000	Variation on Spend £'000	Variation after Carry Forwards £'000
Strategic Management & Transformation	577.5	30.4	607.9	600.4	(7.5)	36.9
Finance & Corporate Services	3,704.8	116.9	3,821.7	3,590.2	(231.5)	(231.5)
Legal & Corporate Services	1,409.2	19.4	1,428.6	1,364.3	(64.3)	(39.0)
Economy	1,219.6	(42.9)	1,176.7	1,348.6	171.9	171.9
Policy & Performance	110.6	0.7	111.3	108.8	(2.5)	(2.5)
Communities	1,335.7	98.9	1,434.6	1,354.9	(79.7)	(18.0)
Environment	6,572.0	43.0	6,615.0	6,597.3	(17.7)	27.3
Health & Wellbeing	2,361.9	224.6	2,586.5	2,427.1	(159.4)	(89.4)
<b>Totals</b>	<b>17,291.3</b>	<b>491.0</b>	<b>17,782.3</b>	<b>17,391.6</b>	<b>(390.7)</b>	<b>(144.3)</b>

(Note that all figures in brackets are underspends).

### Carry Forwards

10. The District Executive approved £246,360 of specific carry forwards into 2017/18.

### Revenue Balances and Reserves

11. SSDC has £5.077 million of revenue balances with £3.396 million remaining uncommitted at the year end. At the year end the estimated requirement was to retain between £2.8 and £3.1 million to meet SSDC's key financial risks.

12. Specific Reserves totalled £14.778 million 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 2016/17 is that total net spending amounted to £6.187m; this was £2.551m (29%) less than the original planned net expenditure of £8.738m. Amendments have been reported to members each quarter and the revised Capital Programme approved.

### Loans

14. 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 6th July 2017 for loan balances as at 31 March 2017:

<b>Borrower</b>	<b>Original Sum Lent £</b>	<b>Fixed Interest Rate</b>	<b>Amount Outstanding at 31 March 2017 £</b>	<b>Period of Loan</b>	<b>Final Repayment Date</b>
Hinton St George Shop	190,000	2.67%	182,170	20 years	<b>February 2036</b>
Somerset Waste Partnership	1,567,216	2.22%	1,428,219	7 years	<b>August 2023</b>
<b>Total Outstanding</b>			<b>1,610,389</b>		

15. There is also £15,329 outstanding in sale of council house mortgages, and £81,056 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 31 March 2017 there was £365,389 on the loan book and £307,599 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 they present fairly the financial position of South Somerset District Council at 31 March 2017 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 2017. 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:

	<b>£'000</b>
<b>Total Spend Reported to the District Executive</b>	<b>17,391</b>
Amounts not reported to management but included on Costs of Services in Comprehensive Income and Expenditure Statement.	10,068
<b>Net Cost of Services (taken from the Comprehensive Income and Expenditure Statement, page 36 of the financial statements)</b>	<b>27,459</b>

23. The bottom line of the Comprehensive Income and Expenditure Statement has changed from a surplus in 2015/16 to a deficit in 2016/17. 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 Fund's actuary has resulted in this change. The discount rate is based on corporate bond yields that match the duration of the employer liabilities. Although the yields have been volatile they have decreased overall which indicates an increase in liabilities.

### **Balance Sheet**

24. The Balance Sheet provides a snapshot of our financial position overall as at the 31 March 2017. The Council's net assets amounted to £19.265 million (£38.234 million at 31 March 2016).
25. In practice, the amount of net worth that can be used is £50.792 million (Usable Capital Receipts £29.860 million, Capital Grants Unapplied £0.469 million, Earmarked Reserves £14.778 million, General Fund Balances £5.077 million and Share in Joint Venture £0.608 million).
26. 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**

27. This statement outlines the changes in cash and cash equivalents of the Council during 2016/17.
28. There has been a net decrease in cash and cash equivalents of £0.740 million.

29. 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**

30. 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 £92.350 million. There is a deficit balance of £0.905 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.
31. 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 surplus balance of £1.471 million at the year end. This surplus 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**

32. 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.
33. 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 2016/17 audit to ensure that they do not occur in future years.

### **Financial Implications**

34. There are no financial implications associated with these recommendations.
35. 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 2016/17*  
*Capital outturn 2016/17*  
*Accounting Policies 2016/17*