

Statement of Accounts 2017/18

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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
