

## Statement of Accounts 2018/19

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*S151 Officer* Paul Fitzgerald, S151 Officer  
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### Purpose of the Report

1. This report presents the 2018/19 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 2018/19 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 or Catherine Hood before the meeting on 01935 462612 or 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 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:
  - The responsible finance officer certifies the annual accounts no later than 31 May and 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 2018/19 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 2018/19 revenue outturn position
- Summarises the 2018/19 capital outturn position
- Presents the 2018/19 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 2018/19 Outturn Reports

### Revenue Outturn

9. The end of year position of Net Expenditure against the Net Budget – the “outturn” – for the Council Services in 2018/19 is a net underspend of £259,564 (1.6%). Below is a summary of the figures presented to the District Executive on 4th July 2019.

**Table 1 – Revenue Budget Outturn 2018/19**

Directorate	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	-284	950	666	715	49	57
Strategy and Support Services	5,529	1,170	6,699	6,163	-536	-471
Service Delivery	2,547	-1,005	1,542	1,825	283	310
Communities	1,302	-275	1,027	986	-41	11
Commercial Services & Income Generation	7,390	-717	6,673	6,658	-15	4
<b>Total</b>	<b>16,484</b>	<b>-123</b>	<b>16,607</b>	<b>16,347</b>	<b>-260</b>	<b>-89</b>

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

### Carry Forwards

10. The District Executive approved £170,282 of specific carry forwards into 2019/20.

### Revenue Balances and Reserves

11. The Council has £4.496m of revenue balances with £4.048m remaining uncommitted at the year end. At the year end the estimated requirement was to retain between £2.8m and £3.1m to meet the Council's key financial risks.
12. Revenue Earmarked Reserves totalled £17.506m 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 2018/19 is that total spending amounted to £28.414m; this was £19.506m (319%) more than the original planned expenditure of £8.908m. 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 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 4th July 2019 for loan balances as at 31 March 2019:

**Table 2 – Outstanding Loans 2018/19**

<b>Borrower</b>	<b>Original Sum Lent £</b>	<b>Fixed Interest Rate</b>	<b>Amount Outstanding at 31st March 19 £</b>	<b>Period of Loan</b>	<b>Final Repayment Date</b>
Hinton St George Shop	190,000	2.67%	156,829	20 years	February 2036
Somerset Waste Partnership	1,567,216	2.22%	1,017,294	7 years	August 2023
SSDC Opium Power Ltd	9,840,000	5.00%	9,840,000	7 Years	July 2026
SSDC Opium Power Ltd	1,351,650	5.25%	1,351,650	1 Year	March 2020
<b>Total Outstanding</b>	<b>12,948,866</b>		<b>12,365,773</b>		

15. There is also £7,612 outstanding in sale of council house mortgages, and £25,964 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 2019 there was £486,921 on the loan book and £186,067 as available capital.

### **Statement of Accounts**

17. The external auditor – Grant Thornton – have reviewed the annual Statement of Accounts and supporting working papers and issued their opinion as to whether the Statements presents a true and fair view of the financial position of South Somerset District Council at 31 March 2019 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.

### **Key Features from the Statement of Accounts**

19. The Statement of Accounts contains four core statements reflecting the financial position of the Council as at 31 March 2019. 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 the Council 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 reported to District Executive in the following way:

**Table 3 – CIES extract for 2018/19**

	<b>£'000</b>
<b>Total Spend Reported to the District Executive</b>	<b>16,347</b>
Amounts not reported to management but included on Costs of Services in Comprehensive Income and Expenditure Statement.	9,010
<b>Net Cost of Services (taken from the Comprehensive Income and Expenditure Statement, page 33 of the financial statements)</b>	<b>25,357</b>

## Movement in Reserve Statement

23. Reserves represent the council's net worth and shows its spending power. This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves.

**Table 4 – MIRS extract for 2018/19**

	<b>Useable Reserves</b>	<b>Unusable Reserves</b>	<b>Total £'000</b>
31 March 2018	49,596	-23,982	25,614
Movement	-2,507	4,797	2,290
31 March 2019	<b>47,089</b>	<b>-19,185</b>	<b>27,904</b>

(Minuses represent liabilities)

(taken from the Movement in Reserves Statement, page 34 of the financial statements)

24. The majority of the movement in useable reserves relates to the capital receipts reserve. £4.324m of the capital receipts reserve was used to finance the capital programme and we received £2.132m in capital receipts.
25. With regard to unusable reserves, the pension reserve liability reduced by £4.542m due to actuarial assumptions, asset valuations and employer contributions.

## Balance Sheet

26. The Balance Sheet provides a snapshot of our financial position overall as at the 31 March 2019. The Council's net assets amounted to £27.903m (£25.617m at 31 March 2018). This comprises both usable resources and unusable reserve account balances.
27. The balance in the statement of accounts include the large pension fund liability balance, which will be recovered over the long term, with the Council making payments each year to reduce the balance.
28. In practice, the amount of "net worth" that can be used is £47.09m. This can be broken down into:

Usable Capital Receipts	£22.798m
Capital Grants Unapplied	£1.694m
Earmarked Reserves	£17.506m

General Fund Balances	£4.593m
Share in Joint Venture	£0.497m

29. In addition, Members will note the contingent liabilities disclosed in note 48. 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**

30. This statement outlines the changes in cash and cash equivalents of the Council during 2018/19.
31. There has been a net decrease in cash and cash equivalents of £1.502m.
32. 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**

33. The total amount of Council Tax due for the year, which the council 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 £103.252m. There is a deficit balance of £0.433m 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.
34. 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 £2.235m 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**

35. Grant Thornton UK LLP anticipate issuing an unqualified audit opinion, which is good news and endorses that the accounts provide a true and fair view of the financial statements as at 31st March 2019.
36. Grant Thornton are also satisfied that the Council has proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money conclusion and provides a positive endorsement that the Council has proper arrangements in all significant respects to ensure it delivered value for money.
37. During the audit no material misstatements were identified. Two misclassification and disclosure changes were found and adjustments have been made to the final set of financial statements along with some minor syntax errors.

### **Financial Implications**

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

39. 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 2018/19*  
*Capital outturn 2018/19*