

Statement of Accounts 2019/20

Executive Portfolio Holder:	Peter Seib, Finance and Legal Services
S151 Officer:	Jo Nacey
Lead Officers:	Nicola Hix, Lead Specialist - Finance / Deputy S151 Officer Paul Matravers – Lead Specialist - Finance
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Purpose of the Report

1. The purpose of this report is to present the 2019/20 Statement of Accounts to Audit Committee for approval.

Forward Plan

2. This report appeared on the Audit Committee Forward Plan with an anticipated Committee date of 26th November 2020. Following the need for additional Audit work, the Audit Committee was moved to 22 December 2020.

Public Interest

3. 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.

Recommendations

4. That Audit Committee:
 - a) note the external auditor's unqualified opinion on the financial statements;
 - b) approve the 2019/20 Statement of Accounts (a copy of the Statement of Accounts has been circulated separately with this agenda);
 - c) authorise that the S151 Officer and Chair of Audit Committee sign the Letter of Representation.

Background

Please contact Nicola Hix or Paul Matravers before the meeting on 01935 462612 or 01935 462275 with any questions on the information presented.

5. The Accounts and Audit Regulations (England) 2015 came into force on 1 April 2015, bringing a requirement for the Responsible Finance Officer to certify the annual accounts no later than 31 May and to publish with the audit opinion, having been approved by Members and re-certified by the responsible finance officer, no later than 31 July.



6. The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404) superseded these requirements and extended the statutory audit deadline for 2019/20 for all local authorities, to 30 November 2020. SSDC, like many authorities this year (and several last year) have been unable to have the accounts signed off by the required date due to the need for additional audit work. Members will be aware that the Financial Reporting Council has required external auditors to extend the scope of their audit work and in particular, to examine the records and assumptions around Property, Plant and Equipment in much greater detail. This and the service demands of our Covid-19 response on our staff has led to the delay. ***The publication date for audited accounts is now anticipated to be during December.***
7. Originally, the Responsible Finance Officer was required to 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.
8. However, to give local authorities more flexibility, the requirement for the public inspection period to include the first 10 working days of June was removed. Local authorities had to commence the public inspection period on or before the first working day of September 2020. This meant that accounts, confirmed by the Responsible Finance Officer (RFO), must be published by 31 August 2020 at the latest.
9. The Statement of Accounts must include 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.

Key Features of the 2019/20 Outturn Reports

Revenue Outturn

10. The end of year position of Net Expenditure against the Net Budget – the “outturn” –for SSDC Services in 2019/20 was £834,349 underspent (or 4.85%) against the final budget. Below is a summary of the figures presented to the District Executive on 6th August 2020.

Table 1 – Revenue Budget Outturn 2019/20

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	641	-87	555	560	5	5
Strategy	1,720	973	2,693	2,427	-266	-169
Support Services	4,712	-728	3,984	4,274	290	300
Service Delivery	2,460	190	2,650	2,662	13	217
Commercial Services & Income Generation	6,664	646	7,310	6,434	-876	-847
	16,197	994	17,192	16,357	-834	-494

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

Carry Forwards

11. The District Executive approved £340,670 of specific carry forwards into 2020/21.

Revenue Balances and Reserves

12. The Council has £5.099m of revenue balances with £4.492m remaining uncommitted at the year-end. Within the Financial Strategy the current assessment for a minimum balance to be maintained in the General Fund Balance is in the range £2.8m to £3.1m. The current balance exceeds this minimum, however, the surplus may be required to fund the unplanned costs related to Covid-19 during 2020/21, as detailed in the Financial Strategy report.
13. Revenue Earmarked Reserves totalled £21.878m at the end of the financial year. These reserves are actual cash sums set-aside for specific purposes.

Capital Outturn Report

14. The overall position on the Capital Budget for 2019/20 showed revised planned expenditure of **£66.547m**. The total spend was £65.482m, therefore £1.065m (1.6%) less than planned.

Loans

15. 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 August 2020 for loan balances as at 31 March 2020:

Table 2 – Outstanding Loans 2019/20

Borrower	Original Sum Lent £	Fixed Interest Rate	Outstanding at 31 March 20 £	Period of Loan	Final Repayment Date
Hinton St George Shop	190,000	2.67%	148,683	20 years	February 2036
Somerset Waste Partnership (1)	1,567,216	2.22%	795,352	7 years	August 2023
Somerset Waste Partnership (2)	4,125,205	3.19%	4,125,205	10 years	October 2029
SSDC Opium Power Ltd	14,508,705	Various	13,157,055	7.5 years	July 2026
Elleston	132,000	5.00%	132,000	7 years	2026/27
Total	20,523,126		18,358,295		

16. There was also £4,600 outstanding in relation to the sale of council house mortgages, and £27,917 in car and bike loans.
17. 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 2020 there was £501,599 on the loan book and £171,389 as available capital.

Key Features of the 2019/20 Statement of Accounts

18. The external auditor – Grant Thornton – has reviewed the annual Statement of Accounts and supporting working papers and issued their opinion as to whether the Statements present a true and fair view of the financial position of South Somerset District Council at 31 March 2020 and its income and expenditure for the year end. The Audit Findings Report is included on the agenda for this Committee, with the audit opinion being Appendix E of the audit findings report.
19. A copy of the Statement of Accounts has been circulated separately with this agenda. The Statement of Accounts contains four core statements and the Group Accounts, reflecting the financial position of the Council as at 31 March 2020. These are:
 - Comprehensive Income and Expenditure Statement
 - Movement in Reserves Statement
 - Balance Sheet
 - Cash Flow Statement
 - Group Accounts
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 International Financial Reporting Standards (IFRS) compliant.
22. The 2019/20 accounts include a new section for Group Accounts. The Council is required to consolidate into its own accounts (as a single entity) the financial activities of outside organisations such as subsidiaries, joint ventures and associates. In previous years our arrangements in respect of Groups have not been material, i.e. the figures involved were not significant enough to report separately.
23. The Group accounts follow the same format of the single entity accounts and include the four core statements (as listed in 19 above), accounting policies for the groups and notes to the financial statements where there are material differences to the disclosures made in the single entity accounts.

Comprehensive Income and Expenditure Statement

24. This account gives detailed information about the total expenditure on the services the Council provides. 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 2019/20

	£'000
Total Spend Reported to the District Executive	16,357
Amounts not reported to management but included on Costs of Services in Comprehensive Income and Expenditure Statement. (Note 7)	12,871
Net Cost of Services (taken from the Comprehensive Income and Expenditure Statement, page 33 of the financial statements)	29,228

Movement in Reserve Statement

25. 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 2019/20

	Useable Reserves	Unusable Reserves	Total £'000
31 March 2019	47,200	-19,185	28,015
Movement	1,349	-17,489	-16,140
31 March 2020	48,549	-36,674	11,875

26. With regard to unusable reserves, the pension reserve liability increased by £3.338m due to actuarial assumptions, asset valuations and employer contributions.

Balance Sheet

27. The Balance Sheet provides a snapshot of our financial position as at the 31 March 2020. The Council's net assets amounted to £11.875m (£28.015m at 31 March 2019). This comprises both usable resources and unusable reserve account balances.
28. 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 contributions and lump sum payments each year to reduce the balance.
29. In practice, the amount of "net worth" that can be used is £48.549m. This can be broken down into:

Usable Capital Receipts	£18.433m
Capital Grants Unapplied	£2.501m
Earmarked Reserves	£21.877m
General Fund Balances	£5.100m
Share in Joint Venture	£0.638m

30. In addition, Members will note the contingent liabilities disclosed in note 49. 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

31. This statement outlines the changes in cash and cash equivalents of the Council during 2019/20.
32. There has been a net increase in cash and cash equivalents of £1.254m.
33. 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.



South Somerset District Council Collection Fund

34. 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 £109.296m. There is a deficit balance of £0.605m 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.
35. Business Rates Retention (BRR) 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. Business rates income collected is distributed between Central Government, South Somerset District Council, Somerset County Council, and Fire and Rescue Authority under the Business Rates Retention (BRR) funding system. For 2019/20 this distribution was based on the one-off 75% BRR Pilot arrangements (Gov 25%, SSDC 44%, SCC 30%, Fire 1%).
36. The final business rates funding end of the year position for 2019/20 has delivered positive news regarding the resources available to all parties within the Somerset Business Rates Pool. There is a surplus balance of £4.015m at the year end. This surplus has been apportioned in accordance with the BRR pilot arrangements stated above.

Auditor's Opinion

37. 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 2020.
38. 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.
39. During the audit some material misstatements were identified. There has also been a number of misclassification and disclosure requirements which have had to be addressed. Details of the misclassification and disclosure changes are included in Appendix C of the audit findings report.
40. These errors and subsequent changes are regrettable but perhaps not surprising in the current conditions. We will, however, seek to ensure these are not replicated next year and continue to improve our reporting and checking processes.

Financial Implications

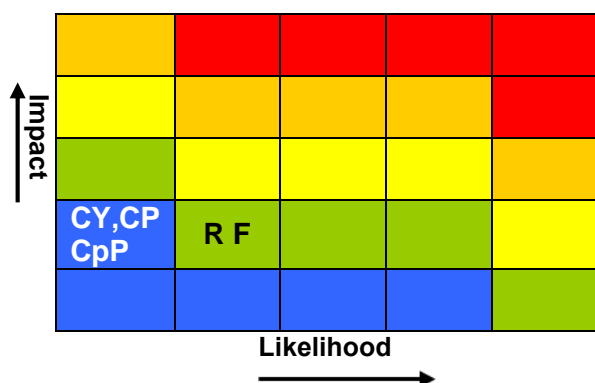
41. There are no financial implications associated with these recommendations.



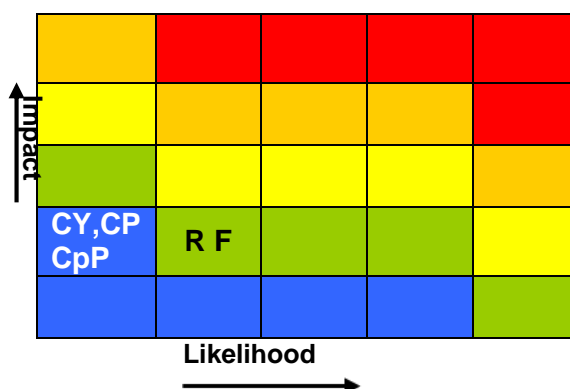
South Somerset District Council

Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

Council Plan Implications

42. The Statement of Accounts are closely linked to the Council Plan, and maintaining financial resilience and effective resource planning is important to enable the council to continue to fund its priorities for the local community.

Carbon Emissions and Climate Change Implications

43. There are no carbon emissions or climate change implications in this report.

Equality and Diversity Implications

44. There are no equality or diversity implications

Privacy Impact Assessment

45. There is no personal information included in this report.

Background Papers

46. There are two background papers:
- Revenue outturn 2019/20
 - Capital outturn 2019/20