

Report to: **Audit Committee**  
Date: **26 July 2018**  
Title: **Annual Statement of Accounts 2017/2018**  
Portfolio Area: **Support Services**  
Wards Affected: **All**  
Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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**Recommendations:**

**It is recommended that Members approve:**

- 1. The wording of the Letter of Representation (Appendix A)**
- 2. The audited Statement of Accounts for the financial year ended 31 March 2018 (Appendix B).**
- 3. The Annual Governance Statement post audit (Appendix C)**

**1. Executive summary**

1) This report presents a summary of net revenue and capital expenditure for Members' consideration and seeks approval of the audited Statement of Accounts for 2017/18. **Following approval of the accounts, the Chairman of the Audit Committee is required to sign and date the accounts.** Members are also required to consider the content of the Letter of Representation. **Following approval of its wording, the Chairman of the Audit Committee and the Section 151 Officer (Strategic Finance Lead) are required to sign the Letter of Representation.**

## **2. Background**

- 1) The Accounts and Audit (England) Regulations 2015 set out the requirements for the production and publication of the local authority's annual Statement of Accounts (SOA). These regulations introduced revised procedures for the approval and publication of accounting statements. In line with common practice in the commercial sector, local authorities are now required to approve the accounts following the completion of the audit.
- 2) The statutory timetable relating to the production and publication of the final accounts has been brought forward for 2017/18 and subsequent financial years. The Council was required to publish the draft SOA by 31 May 2018, one month earlier than 2016/17. This is prior to the period for exercise of public rights which must include the first 10 working days of June. The regulations also require that local authorities in England publish their audited SOA by 31 July 2018.
- 3) The SOA is an essential feature of public accountability, since it provides the stewardship report on the use of funds raised from the public. The closing of accounts is also important to the budgetary process, since it confirms the availability of reserves and balances for future use.
- 4) The attached booklet (Appendix B) contains the Council's final accounts in full, including details of the Comprehensive Income and Expenditure Account, Balance Sheet and Collection Fund together with statements setting out movements in reserves and cash flow.
- 5) Of particular note for 2017/18 is the end of year Business Rates position. The Business Rates Retention Earmarked Reserve shows a deficit of £8.641 million at 31 March 2018. However, in order to assess the overall financial position of the Council at 31 March 2018, the funds held in the Business Rates Collection Fund of £13.477 million also need to be taken into account. The aggregated Earmarked Revenue Reserves position, incorporating the Council's share of the Business Rates Collection Fund surplus is £13.157 million at 31 March 2018. The £13 million of funds held in the Business Rates Collection Fund are being released back into the General Fund of the Council during 2018/19. This is a short term timing issue which has occurred due to the way that the Local Government Accounting Regulations for Business Rates operate. This is explained in further detail in the Narrative Statement on pages 10 and 11 of the SOA booklet.
- 6) The accounts have been prepared in accordance with all relevant and appropriate accounting standards including, International Accounting Standard (IAS) 19 which deals with pension costs. This standard ensures that the full cost of employing people is recognised systematically in the accounts and that creditors reflect the council's liability to pay money into the pension fund. A full explanation of the pension's liability is included in the Council's SOA. Members are advised that the accounting arrangements for IAS 19 are for reporting purposes

only. Indeed the required entries are reversed out of the accounts and consequently, IAS 19 has no impact on the Council's surplus for the year.

7) The Annual Governance Statement (AGS) for 2017/18 shown in Appendix C reflects the new reporting requirements introduced by CIPFA/SOLACE's 2016 Delivering Good Governance in Local Government Framework. The new requirements include:

- An acknowledgement of responsibility for ensuring there is a sound system of governance.
- A reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment.
- An opinion on the level of assurance that the governance arrangements can provide.
- An agreed action plan.
- A conclusion.

Minor presentational changes have been made to the Annual Governance Statement following feedback from KPMG during their Audit.

8) The CIPFA/SOLACE 2016 Framework recommends that the Council carries out annually a self-assessment of the extent to which it complies with seven core principles of good governance. Examples of the framework the Council adopts to comply with the Code's key principles are included within the AGS, as well as an accompanying assurance statement.

### **3. Outcomes/outputs**

#### **1) Revenue Expenditure**

Revenue expenditure represents the ongoing costs of carrying out day-to-day operations, and is financed from council tax, business rates, fees and charges, government grants and interest earned on investment activity. The small under spend on the General Fund in 2017/2018 of £84,000 is essentially a break-even position. **The 2017/18 budget was £8.35 million and therefore the surplus of £84,000 means that the actual spend was 1.0% less than the budget.** This small under spend will go into the Council's Unearmarked Reserves which stand at £1.8 million. The main variations from budget are shown on Pages 9 of the Narrative Statement in the Statement of Accounts.

In addition, Appendix D provides further detail of the significant variations as requested by Members of the Audit Committee at the last meeting in June.

## 2) **Capital Expenditure**

Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £4.2 million in 2017/18. The main areas of expenditure were as follows:

- New industrial units
- Investment in leisure facilities (the cost of which is being reimbursed to the Council by the leisure operator)
- Residential renovation grants including disabled facilities grants
- Affordable housing and investments in the community

## 3) **Audit of Accounts**

The draft SOA was considered by the Audit Committee on 21 June 2018. These accounts are required to be audited by the Council's external auditors, who give their opinion on the draft accounts. The annual audit was undertaken during June and July by KPMG LLP. Post audit changes have been incorporated within the SOA in line with the recommendations contained within their 'Audit Findings Report'.

## 4. **Proposed Way Forward**

- 1) The Council Constitution delegates approval of the Accounts to the Audit Committee. The Council is also required to sign a Letter of Representation every year, which gives representations to the Council's external auditors. The Chairman of the Audit Committee and the Section 151 Officer (Strategic Finance Lead) are required to sign the Letter of Representation. The letter is attached at Appendix A. It is recommended that Members approve the wording of the Letter of Representation.

## 5. **Implications**

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Statutory Powers that apply to this report are Section 151 Local Government Act 1972 Section 21 (12), Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015.</p> <p>The Accounts and Audit (England) Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS).</p>

Financial	Y	The financial implications to this report are that an under spend of £84,000 was generated in 2017/2018. This means that the Council's actual spend for 2017/2018 was 1% less than the budget set for the year.
Risk	Y	<p>1) <b>Public Accountability</b> – the accounts have been drawn up in strict accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 which is recognised by statute as representing proper accounting practice.</p> <p>2) <b>Resource Planning</b> – the Council takes into account any significant issues when developing the Council's Medium Term Financial Strategy.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

### **Supporting Information**

Appendix A – Letter of Representation  
Appendix B – Statement of Accounts 2017/18  
Appendix C – Annual Governance Statement 2017/18  
Appendix D – Significant Variations 2017/18

### **Background Papers:**

Finance Community of Practice final accounts working papers.  
Audit Committee 21 June 2018 – Draft Statement of Accounts 2017/18.