
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 5
DATE OF MEETING:	5 th DECEMBER 2019	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	Vicki Summerfield (01283 595939) Victoria.summerfield@southderbyshire.gov.uk	DOC: u/ks/accounts/finalaccounts18 19/approval of accounts report 28 November 2019
SUBJECT:	ANNUAL STATEMENT OF ACCOUNTS 2018/19	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendation

- 1.1 That the Council's Annual Statement of Accounts for 2018/19 are approved and signed by the Chairman of the Committee for publication.

2.0 Purpose of Report

- 2.1 Under the Accounts and Audit Regulations 2015, the Council's Audited Accounts and Financial Statements are presented for approval. The Committee is required to approve the accounts with the knowledge of the opinion of the Council's External Auditor, Ernst and Young LLP (known as EY).
- 2.2 Their findings were contained in a report which was presented to the Audit Sub-Committee earlier on 28 November 2018. [External Audit Report](#)
- 2.3 The Council issued its draft Statement of Accounts in accordance with the statutory date of 31 May 2019. They were published on the Council's website and have been open for inspection.
- 2.4 As previously reported, the Audit of the Accounts was delayed due to the availability of resources from EY in order to undertake their work by 31 July 2019. The Audit was subsequently rescheduled and took place during the final weeks of October and the early part of November 2019.
- 2.5 Following the Audit, an unqualified opinion was given on the Statement of Accounts for 2018/19. Therefore, they are now presented for approval, following which they will be formally published.

3.0 Detail

- 3.1 A full copy of the accounts is enclosed alongside this covering report. They will also be publicised in the media, via public notices and made available on the Council's website.
- 3.2 The Statement of Accounts is considered to be a complex and technical document that is prepared to meet accounting and financial standards. It acts as the statutory report on the Council's financial position.
- 3.3 It is an in depth analysis of the Council's accounts, including its assets, liabilities and overall financial position at a point in time. The figures are supported by numerous commentaries and disclosure notes to help explain the various balances, together with income and expenditure in the Accounts.

International Financial Reporting Standards (IFRS)

- 3.4 The Accounts for 2018/19 have been prepared on a full IFRS basis and in accordance with the Code of Practice on Local Authority Accounting in the UK.

The Statement of Accounts

- 3.5 A summary of each of the main sections contained within the accounts is set out in the following sections. The format and content of each of the Statements is in accordance with the Code of Practice.

Narrative Report

- 3.6 This sets out a summary to explain in non-technical terms, the most significant matters reported in the Accounts. It gives an overview of the year's performance, both financially and in more general terms against the key performance indicators in the Council's Corporate Plan. Some
- 3.7 General information regarding the District and the Council is also provided. This is aimed at helping the reader of the Accounts to understand the financial performance of the Council in the context of local service priorities and challenges.
- 3.8 The Narrative also outlines significant factors that affect the understanding of the accounts and provides an overview of assets, reserves and liabilities. It also outlines the Council's medium-term financial position, together with the financial issues and risks that the Council faces.

Governance Statement

- 3.9 This sets out the local governance framework comprising the systems, processes, culture and values, etc. by which the Council is directed and controlled. It also demonstrates how the Council accounts to and engages with the local community.

- 3.10 The Governance Statement reports on the effectiveness of the framework for 2018/19 and highlights any issues (in an Action Plan) that have been identified to ensure that the Council's governance arrangements remain robust. The Governance Statement was considered and approved for inclusion in the Statement of Accounts, by the Audit Sub-Committee on 29 May 2019.

Comprehensive Income and Expenditure Summary (CIES)

- 3.11 This Statement is a summary that reports the accounting cost for the year of all functions for which the Council is responsible. However, the net expenditure in this Statement is not the amount funded from taxation.
- 3.12 Councils raise tax to cover expenditure in accordance with regulations and this is usually different from the accounting cost which includes debt financing and capital accounting charges such as depreciation. The taxation position is shown in the Movement in Reserves Statement.
- 3.13 Further analysis of the figures reported in the CIES is contained within the disclosure notes that follow later in the Accounts.

Movement in Reserves Statement

- 3.14 This Statement shows the movement in reserves held by the Council during the year. It includes amounts charged in and out of the Income and Expenditure Account for accounting purposes that are not a charge on the Council Tax or Rent Payer. It reconciles the accounting cost in the CIES to the cost of services funded through taxation.
- 3.15 The balance as at 31 March 2019 reflects the level of resources available whether unallocated or held within earmarked reserves, i.e. *usable reserves*. Other reserves such as the Revaluation Reserve reflect accounting transactions and are not available for spending, i.e. they are *unusable reserves*.

Balance Sheet

- 3.16 This shows the Council's overall financial position as at 31 March 2019 with a comparison to the previous year, 2017/18. It reports the Council's assets and liabilities as valued at the financial year end. This includes land, property, money owing to and from the Council, together with reserves and provisions, etc.
- 3.17 The overall value of the Council's assets increased slightly in 2018/19 from £84.1m to £85.7m. Although there was increase in usable reserves from approximately £35 million to £44 million, this was offset by the increase in the reported Pension Deficit from approximately £31 million to £41 million.

The Pension Deficit

- 3.18 The increase in the Pension Deficit is based on a valuation by the Fund's Actuaries. The Deficit can fluctuate between years due to changes in assumptions regarding investment returns and future liabilities. The Deficit effectively shows the underlying commitments that the Council has in the long-term to pay retirement benefits.
- 3.19 However, statutory arrangements for funding the deficit mean that the financial position of the Council is not materially affected in any one year. Plans are in place to reduce the deficit on the Pension Fund over time through various pension reforms affecting the Local Government Pension Scheme at a national level.

Cash Flow Statement

- 3.20 This shows the actual inflow and outflow of cash for the year by adjusting the accounts for all non-cash transactions.

Disclosure Notes to the Financial Statements

- 3.21 These are designed to provide further explanations of the reported figures contained in the Financial Statements. The notes are required under the Code of Practice to give added clarity and understanding for readers and users of the Accounts.
- 3.22 The notes cover details of income and expenditure, including the Council's accounting policies, together with explanations regarding the critical judgements and assumptions used in preparing the Accounts.

Supplementary Financial Statements

- 3.23 These contain further detail relating to the ring-fenced Housing Revenue Account (HRA) and the Collection Fund. This shows the amounts collected in Council Tax and Business Rates and how that income has been distributed amongst the preceptors on the Collection Fund.

Glossary

- 3.24 This is not required under the Code, but it is considered best practice to incorporate a glossary to help explain the terms and phrases used in the Accounts and the Financial Statements.

Value for Money

- 3.25 As part of their audit work, the Auditor is also required to consider whether the Council has put in place "proper arrangements to secure economy, efficiency and effectiveness on its use of resources." This is generally known as the VFM conclusion.
- 3.26 For 2018/19, this was based on the overall evaluation criterion:

“In all significant aspects, the audited body had proper arrangements to ensure that it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.”

3.27 Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise the Council’s arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

3.28 In considering these arrangements, the Auditor will draw on the Council’s Corporate Governance Framework. The Auditor is only required to determine whether there are any risks that they consider significant, which the Code of Audit Practice defines as:

“A matter is significant if, in the Auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public.”

3.29 In EY’s Audit Plan for 2018/19, they identified two significant risks to their value for money conclusion, which were as follows:

- Securing financial resilience as the Council’s Medium Term Financial Plan currently forecasts budget deficits in future years. The Auditors concluded that *the Council will need to continue scrutinising the financial plan and consider whether a savings plan will be required to address forecast budget deficits in order to minimise the risk of requiring unplanned reserves contributions.*
- Procurement and related contract issues in the Housing and Environment Services Directorate. This risk was reported due to the control weaknesses identified in 2016/17 for which the Council was implementing actions during 2017/18 and 2018/19.

3.30 The Auditor concluded *that the Council has now implemented all of the outstanding recommendations and continues to embed arrangements to strengthen governance arrangements.*

3.31 The Auditors therefore stated that *they expected having no matters to report about your (the Council’s) arrangements to secure economy, efficiency and effectiveness in your use of resources.*

4.0 Financial Implications

4.1 The production and publication of the Accounts and Financial Statements is undertaken within current resources.

5.0 Corporate Implications

5.1 None directly.

6.0 Community Implications

- 6.1 The production of the Council's Statutory Annual Accounts and Financial Statements is an important part of stewardship and accountability for public resources.
- 6.2 The document aims to give electors, those subject to locally levied taxes and charges, Elected Members, employees and other interested parties, detailed information about the Council's financial position.

7.0 Background Papers

- 7.1 None