

Report to: **Audit Committee**

Date: **25 June 2019**

Title: **Draft Statement of Accounts 2018/2019  
and Draft Annual Governance Statement  
2018/2019**

Portfolio Area: **Performance & Resources – Cllr C Edmonds**

Wards Affected: **All**

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

Date next steps can be taken: **July 2019**

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## **RECOMMENDATIONS**

- 1. The Draft Statement of Accounts and the Draft Annual Governance Statement (AGS) for the financial year ended 31 March 2019 are noted.**
- 2. To elect to present in other comprehensive income changes in fair values of all equity instruments including the CCLA investment in accordance with IFRS 9 – Financial Instruments with effect from 1 April 2018.**
- 3. To note that delegated authority has been exercised by the Section 151 Officer to transfer £30,000 of additional planning income received in 2018/19 to the Joint Local Plan Earmarked Reserve.**

### **1. Executive summary**

- 1.1** The report advises Members that an under spend of £89,000 was generated in 2018/2019 which was transferred to the General

Fund Balance (un-earmarked revenue reserve). The level of this reserve now stands at £1.286 million at 31 March 2019.

- 1.2 The Narrative Statement to the Accounts gives a summary of the main items in the Statement of Accounts for 2018/2019.
- 1.3 The 2018/19 Code of Practice on Local Authority Accounting has adopted IFRS 9 Financial Instruments. As a result of the implementation of IFRS 9, the Council's Draft Accounts reflect an irrevocable election to designate the CCLA investment as fair value through other comprehensive income. These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS32 and are neither held for trading (the Council holds this investment as a long term strategic investment) nor contingent consideration recognised by an acquirer in a business combination to which IFRS3 applies. They are not considered to be puttable instruments because the Council does not have a contractual right to put the instrument back to the issuer for cash.  
This election means there is no impact on the revenue budget. Any gains or losses on the valuation of the CCLA investment will therefore be transferred to a Financial Instruments Revaluation Reserve until they are realised.

## **2. Background**

- 2.1 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.
- 2.2 The statutory timetable relating to the production and publication of the final accounts was brought forward in 2017/18 and subsequent financial years. The Council is required to publish the draft SOA by 31 May 2019, 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 2019. The final SOA will be considered by the Audit Committee on 23 July 2019.
- 2.3 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.

- 2.4 The attached booklet in Appendix A contains the Council's final accounts in full, including details of the Comprehensive Income and Expenditure Statement (CIES), the Balance Sheet and Collection Fund together with statements setting out movements in reserves and cash flow.
- 2.5 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 Statement of Accounts. 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.
- 2.6 The Annual Governance Statement (AGS) for 2018/19 shown in Appendix B reflects the 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.
- 2.7 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**

#### **Revenue Expenditure**

- 3.1 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.

3.2 The under spend on the General Fund in 2018/2019 of £89,000 is essentially a break-even position. **The 2018/19 budget was £7.31 million and therefore the saving of £89,000 means that the actual spend was 1% less than the budget.** This saving will go into the Council's Unearmarked Reserves which now stand at £1.286 million. The main variations from budget are shown on Page 9 of the Narrative Statement in the Statement of Accounts.

### Capital Expenditure

3.3 Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £23.6 million in 2018/19. The main areas of expenditure were as follows:

- Purchase of investment properties (£21.4m)
- Purchase of waste vehicles (£1m)
- Leisure Centre improvements (£0.5m)
- Housing renovation grants including disabled facilities grants (£0.4m)

### 4. Options available and consideration of risk

4.1 Additional planning income of £214,000 was received in 2018/19. Delegated authority has been exercised by the Section 151 Officer to transfer £30,000 of this additional income into the Joint Local Plan Earmarked Reserve. This will be used to help support the costs of the Joint Local Plan in future years. In addition, £100,000 of planning income was transferred into the Planning Policy and Major Developments Reserve, to support peaks and troughs in the planning service as agreed at Council (Council Minute CM51 (a)).

### 5. Proposed Way Forward

5.1 Members are advised that the accounts will be audited by our External Auditors, Grant Thornton during June and July 2019. Following the Audit, the Statement of Accounts will be brought back to the Audit Committee for approval in July.

### 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		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.

		The Accounts and Audit (England) Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS).
Financial implications to include reference to value for money		<p>The financial implications to this report are that an under spend of £89,000 was generated in 2018/2019. This means that the Council's actual spend for 2018/2019 was 1% less than the budget set for the year.</p> <p>To note that delegated authority has been exercised by the Section 151 Officer to transfer £30,000 of additional planning income received in 2018/19 to the Joint Local Plan Earmarked Reserve.</p> <p>As part of Grant Thornton's external audit of the Statement of Accounts for 2018/19, they will give an opinion on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. (An unqualified Value for Money audit opinion was issued by KPMG in July 2018 for the 2017/18 financial year).</p>
Risk		<p><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 2018/19 which is recognised by statute as representing proper accounting practice.</p> <p><b>Resource Planning</b> – the Council takes into account any significant issues when developing the Council's Medium Term Financial Strategy.</p>
Supporting Corporate Strategy		<p>The Annual Statement of Accounts and Annual Governance Statement support all of the six Corporate Strategy Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing, as both encompass and summarise everything that the Council does in monetary terms.</p> <p>In particular for the 'Council Theme', the Accounts summarise how the Council is delivering efficient and effective services and demonstrating strong financial management and strategic financial planning.</p> <p>Our Guiding Principles of the Corporate Strategy are 'to provide value for money and good customer service'. See comments above on the annual Value for Money audit opinion.</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**

**Appendices:**

**Appendix A – Draft Statement of Accounts 2018/19**

**Appendix B – Draft Annual Governance Statement 2018/19**

**Background Papers:**

**Finance Community of Practice final accounts working papers.**