

Report to: **Audit Committee**  
Date: **25 July 2019**  
Title: **Audited Statement of Accounts 2018/2019**  
Portfolio Area: **Finance – Councillor H Bastone**  
Wards Affected: **All**

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 2019 (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 2018/19. **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 states that the Council was required to publish the draft SOA by 31 May 2019. 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.
- 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.

In addition, the narrative statement to the booklet summarises the major variations in income and expenditure from the original budget.

- 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 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.
- 6) The Annual Governance Statement (AGS) for 2018/19 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.

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 under spend on the General Fund in 2018/2019 of £49,000 is essentially a break-even position. ***The 2018/19 budget was £8.98 million and therefore the saving of £49,000 means that the actual spend was 0.5% less than the budget.*** This saving will go into the Council's Unearmarked Reserves which now stand at £1.9 million. The main variations from budget are shown on Pages 9 and 10 of the Narrative Statement in the Statement of Accounts.

#### **2) Capital Expenditure**

Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £8.2 million in 2018/19. The main areas of expenditure were as follows:

- investment in leisure facilities (£5.8m)
- residential renovation grants including disabled facilities grants (£0.6m)
- scheduled replacement of plant, vehicles and marine infrastructure (£0.5m)
- coastal defence schemes (£0.5m)
- affordable housing and investments in the community (£0.3m)

### 3) **Audit of Accounts**

The draft SOA was considered by the Audit Committee on 20 June 2019. 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 Grant Thornton. Post audit changes have been incorporated within the SOA in line with the recommendations contained within their 'Audit Findings Report'.

In summary there are very few changes to the Draft Statement of Accounts, with a few minor presentational changes being made. The most significant change to the Audited Accounts is for the McCloud ruling below. An extra pensions disclosure note on Page 90 of the Statement of Accounts has been included within the Audited Statement of Accounts for 2018-19.

### 4) **McCloud Ruling**

A national pensions issue called 'the McCloud ruling' on age discrimination will affect the Accounts of all Councils. In summary the Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. In essence the Council has had to go back to the actuaries for further information on the Pensions figures in our Accounts. This is mainly a timing issue as 'the McCloud ruling' will be reflected within the Triennial Revaluation of the Pension Fund.

The outcome is that the Council is not changing the Pensions figures within the Accounts (they will be the same as the figures in the Draft Statement of Accounts) as the difference is not material, however the Council has added an extra note to the Accounts regarding the McCloud ruling on Page 90.

## **4. Options available and consideration of risk**

Additional planning income of £308,000 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 Planning Policy and Major Developments Earmarked Reserve. This will be used to help support the costs of the Joint Local Plan and Urban Fringe Team in future years.

## **5. 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.

## 6. Implications

Legal/Governance		<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 implications to include reference to value for money		<p>The financial implications to this report are that an under spend of £49,000 was generated in 2018/2019. This means that the Council's actual spend for 2018/2019 was 0.5% less than the budget set for the year.</p> <p>The Audit Findings report from Grant Thornton states that they are satisfied that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</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>

		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.
<b>Comprehensive Impact Assessment Implications</b>		
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 – Audited Statement of Accounts 2018/19

Appendix C – Audited Annual Governance Statement 2018/19

### **Background Papers:**

Finance Community of Practice final accounts working papers.

Audit Committee 20 June 2019 – Draft Statement of Accounts 2018/19.

### **Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed	<b>Yes</b>
SLT Rep briefed	<b>Yes</b>
Relevant Exec Director sign off (draft)	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	<b>N/A</b>