

# **Somerset West and Taunton Council**

## **Audit, Governance and Standards Committee – 31 July 2019**

### **West Somerset District Council Statement of Accounts 2018/19**

**This matter is the responsibility of Cllr Ross Henley, Portfolio Holder for Corporate Resources**

**Report Author: Emily Collacott, Finance Business Partner**

#### **1 Executive Summary / Purpose of the Report**

- 1.1 The Statement of Accounts for 2018/19 is required to be approved by the Audit Governance and Standards Committee and signed by the S151 Officer and the Chair of the Audit Governance and Standards Committee. The Statement of Accounts document is attached to this report.
- 1.2 This report also links to and reflects the Audit Findings Report which was prepared by and will be presented by the Council's external auditors – Grant Thornton UK LLP.
- 1.3 As part of the overall process for approving the Statement of Accounts, a Management Letter of Representation has to be signed by the Council. A draft letter of representation is attached.

#### **2 Recommendations**

- 2.1 The Committee is recommended to:
  - a. Note the Auditor's unqualified opinion on the Statement of Accounts.
  - b. Approve the 2018/19 Statement of Accounts as attached to this report.
  - c. Endorse the Chairman of the Committee signs the Statement of Accounts.
  - d. Endorse the Chairman of the Committee signs the management letter of representation in respect of the financial statements for the year ended 31 March 2019.

#### **3 Background and Full details of the Report**

- 3.1 The Accounts and Audit Regulations 2015 require the audited Statement of Accounts to be approved by a resolution of a nominated committee. The current

constitutional arrangements devolve this responsibility to the Audit Governance and Standards Committee.

- 3.2 The S151 officer is required to sign off the unaudited Draft Accounts as true and fair by 31 May. The audited Statement of Accounts must be approved by Committee by 31 July. Once approved the Statement must be signed by the S151 Officer and the Chair of the Audit Governance and Standards Committee, and published on the Council's website. As the successor local authority with effect from 1 April 2019, Somerset West and Taunton Council is required to approve 2018/19 the Statement of Accounts for West Somerset Council.
- 3.3 The Council's Statement of Accounts has been audited this year by Grant Thornton UK LLP and is attached to this report. At the time of writing this report, Grant Thornton intend to issue an unqualified opinion, as reported in the Audit Findings Report.
- 3.4 The Management Letter of Representation is a formal letter to the external auditors, Grant Thornton LLP, which is signed by the Council's senior management. The letter attests to the accuracy of the financial statements that the Council has submitted to the auditors for their analysis.
- 3.5 The Management Letter of Representation enables the Council to declare in writing that the statement of accounts and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the best of the management's knowledge. The auditors will use this letter as part of their audit evidence.

#### **4 Statement of Accounts**

- 4.1 The Statement of Accounts for 2018/19 has been prepared on an IFRS (International Financial Reporting Standards) basis in line with the CIPFA (Chartered Institute of Public Finance Accountancy) Code of Practice on Local Authority Accounting in the UK 2018/19.
- 4.2 The Statement of Accounts contain four main statements reflecting the position of the Council at 31 March 2019:
  - Comprehensive Income and Expenditure Statement
  - Movement in Reserves Statement
  - Balance Sheet
  - Cash Flow Statement
- 4.3 There are also supplementary statements related to the Collection Fund (which deals with the collection and distribution of Council Tax and Business Rates).

## **Comprehensive Income and Expenditure Statement**

- 4.4 The Comprehensive Income and Expenditure Statement (CIES) shows the day to day revenue spending and income on the Council's services. It also shows the council tax and Government grants received to help pay for those services. The Comprehensive Income and Expenditure Statement shows the net cost on an "accounting basis" which includes accounting adjustments such as depreciation, impairment and revaluation losses, and other types of accounting adjustments. These adjustments are then reversed out in the Movement in Reserves Statement to show the "funding" position of the Council.
- 4.5 The Net Cost of Services has increased by £2.937m compared to the previous year's accounts. This relates primarily to an increase in costs in the Operations service area as a result of the Council's share of redundancy payments being incurred through the joint Transformation with Taunton Deane (now one Council) and an increase in Growth and Development service area spending in respect of Hinkley Point expenditure from the Community Impact Mitigation Fund.
- 4.6 This has meant there has also been a movement on the Provision of Services which has moved from a £273k surplus in 2017/18 to a deficit of £218k in 2018/19.
- 4.7 The movement on the revaluation of Property, Plant and Equipment from a deficit of £411k in 2017/18 to a surplus of £153k in 2018/19 has contributed to an increase to the surplus on the CIES from £831k in 2017/18 to £864k in 2018/19.
- 4.8 The Financial Outturn position for 2018/19 has recently been reported to Executive Committee in July. This included information relating to the Council's financial performance for the 2018/19 financial year. The reports highlighted key variances to the budget and provided explanations for these.

## **Movement in Reserves Statement**

- 4.9 This account shows the changes in the Council's financial resources over the year by showing the movement on the reserves held. These are analysed into Usable Reserves (these can be used to fund spending) and Unusable Reserves (reserves that cannot be spent as they contain technical accounting adjustments that do not represent available funding).
- 4.10 The total of the Council's Usable Reserves (capital and revenue combined) has increased by £60k in year to £8.176m.
- 4.11 The Statement shows that the General Fund Reserve balance is above the minimum level required in the Council's financial strategy, with General Fund Reserves increasing from £899k to £981k. The recommended minimum reserve level for WSC is £700k.

## **Balance Sheet**

- 4.12 The Balance Sheet provides a snapshot of the Council's financial position as at 31 March 2019 (with comparatives for 31 March 2018).
- 4.13 The Balance Sheet shows that net assets have moved from a negative £85k to a positive balance of £777k. The most significant liability on the balance sheet remains in respect of the Pensions Reserve although in overall terms the Pensions liability has been reduced by £1.094m.

## **Cash Flow Statement**

- 4.14 The cash flow statement summarises the flows of cash and cash equivalents into and out of the Council during the year.
- 4.15 Cash and cash equivalents are represented by the following: cash in hand; deposits with financial institutions repayable without penalty on notice of not more than 24 hours; and investments that mature in one month or less from the date of the balance sheet and are readily convertible into cash.
- 4.16 During the year the Council's cash and cash equivalents reduced by approximately £1.777m.

## **Collection Fund**

- 4.17 The Collection Fund Statement shows the total amount the Council has collected from tax payers on behalf of, and distributed to, all of the precepting authorities and Central Government. The major precepting authorities are Somerset County Council, Avon and Somerset Police, Devon and Somerset Fire and Rescue Authority and Central Government. The Council has a statutory obligation to maintain a separate Collection Fund Account.
- 4.18 The presentation of the statement clearly separates the Council Tax and Business Rates movements and balances. The statement shows that the Council has collected £42.298m on behalf of ourselves, the precepting authorities and Central Government. This comprises council tax income of £24.169m and business rates income of £18.129m.
- 4.19 The statement currently shows a surplus of £194k (WSC share = £26k) in respect of Council Tax and a surplus of £855k (WSC share = £342k) in respect of business rates.

## **5 Result of the Audit of the Statement of Accounts**

- 5.1 Most of the external audit review has been completed and subject to work outstanding being completed and queries being resolved, the auditor has indicated their intention to issue an "unqualified opinion" for the Statement of Accounts, as

showing a true and fair view of the Council's financial position and performance.

- 5.2 The auditor has also reviewed our arrangements to secure economy, efficiency and effectiveness in our use of resources, and provides an opinion in the form of a value for money conclusion. Their report states that "the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources".
- 5.3 During the audit a small number of misstatement and disclosure changes were identified which have been made in the final set of financial statements. These have been identified in Appendix C of the Audit Findings Report included within this Agenda.

## **6 Links to Corporate Aims / Priorities**

- 6.1 The Statement of Accounts reports the financial activities of the Council in the delivery of its corporate aims.

## **7 Finance / Resource Implications**

- 7.1 These are included within the Statement of Accounts document attached to this report.

## **8 Legal Implications**

- 8.1 There is a Statement of Responsibilities within the Statement of Accounts, which summarises responsibilities for the Council and its S151 officer. The Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, which specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the Council.
- 8.2 The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:
- Statements of Accounts prepared in accordance with the statutory framework by the Accounts and Audit (England) Regulations 2015
  - The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Local Audit and Accountability Act 2014

## **9 Environmental Impact, Safeguarding and/or Community Safety, Equality and Diversity, Social Value, Partnership, Health and Wellbeing, Asset Management, Consultation Implications**

- 9.1 None in respect of this report.

**Democratic Path:**

- **Audit Governance and Standards Committee – 31 July 2019**

**Reporting Frequency: Annually****List of Additional Documents:**

West Somerset Council Statement of Accounts  
Letter of Representation

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