

Report Number: SWT 92/19

Somerset West and Taunton Council

Audit, Governance and Standards Committee – 11 November 2019

Taunton Deane Borough Council Statement of Accounts 2018/19

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

Report Author: Paul Fitzgerald, Strategic Finance Advisor and S151 Officer

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. Under regulations, the audited Statement of Accounts should be approved by Committee by the 31 July following each financial year. 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 Taunton Deane Borough Council and West Somerset Council.
- 3.3 The Council's Statement of Accounts is being audited this year by Grant Thornton UK LLP and is attached to this report. At the time of writing this report, Grant Thornton indicate their intent 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. 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.
- 3.5 As reported to the Committee in July, the audit of TDBC's Statement of Accounts was incomplete at that stage, due to a range of factors. The audit has continued since the summer, and the S151 Officer thanks council officers for their continued support to the audit process. The demands on Council officers and Grant Thornton has also been exacerbated as the auditor has received an objection to the accounts from a member of the public, and is required to undertake additional work in response to this.
- 3.6 Grant Thornton reported in July that they had completed their review of the Council's value for money arrangements, and have concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This is confirmed again in the updated Audit Findings Report presented to this Committee on the same agenda as this report.

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) and the Housing Revenue Account.

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 There is one non-material error that has been corrected during the audit period, with the debtors' balance being reduced by £347k with a resulting reduction in the net outturn position and the general reserves balance.

4.6 The Net Cost of Services has increased by £19.198m 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 redundancy payments being incurred, and an increase in the depreciation / impairment of assets.

4.7 This has meant there has also been a movement on the Provision of Services which has moved from a £113k deficit in 2017/18 to a deficit of £15.888m in 2018/19.

4.8 The movement on the revaluation of Property, Plant and Equipment from a deficit of £25.493m in 2017/18 to a deficit of £15.488m in 2018/19. The re-measurement of the pension liability has decreased from a deficit of £10.138m in 2017/18 to £8.742m in 2018/19. This has resulted in a decrease to the deficit on the CIES from £35.423m in 2017/18 to £8.689m in 2018/19.

4.9 The Financial Outturn position for 2018/19 was 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, and shows a net underspend against budget for the year and an increase in General Reserves. The position reported at that stage needs to be amended for the £347k accounting adjustment referred in 4.5 above. This will also be reflected in the next Budget Monitoring Report to the Executive Committee.

Movement in Reserves Statement

- 4.10 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).
- 4.11 The total of the Council's Usable Reserves (capital and revenue combined) has decreased by £11.454m in year to £41.915m. The decrease is planned and is due to funding of redundancies, transformation, refurbishment of Deane House and funding of the capital budget.
- 4.12 The Statement shows that both the General Fund and Housing Revenue Account (HRA) balances are above the minimum level required in the TDBC financial strategy. During the year General Fund Reserves have decreased from £2.299m to £1.876m (minimum recommended level £1.700m) whilst the HRA Reserve balance has decreased from £2.778m to £2.718m in year (minimum recommended £1.800m).

Balance Sheet

- 4.13 The Balance Sheet provides a snapshot of the Council's financial position as at 31 March 2019 (with comparatives for 31 March 2018).
- 4.14 The Balance Sheet shows that net assets have moved from a positive balance of £249.791m to £258.108m, an increase of £8.317m.

Cash Flow Statement

- 4.15 The cash flow statement summarises the flows of cash and cash equivalents into and out of the Council during the year.
- 4.16 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.
- 4.17 During the year the Council's cash and cash equivalents increased by approximately £2.525m.

Housing Revenue Account

- 4.18 The Housing Revenue Account (HRA) Income and Expenditure Account shows the economic cost in year of providing housing services.
- 4.19 The HRA for 2018/19 shows that net expenditure for the year of £2.275m compared with net income of £4.114m in the previous year. The main differences are the share of costs of redundancy and transformation borne by the HRA and the impairment of council house dwellings valuations.

Collection Fund

- 4.20 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.
- 4.21 The presentation of the statement clearly separates the Council Tax and Business Rates movements and balances. The statement shows that the Council has collected £110.571m on behalf of ourselves, the precepting authorities and Central Government. This comprises council tax income of £69.058m and business rates income of £41.513m.
- 4.22 The statement currently shows a surplus of £1.789m (TDBC share = £189k) in respect of Council Tax and a surplus of £1.097m (TDBC share = £439k) in respect of business rates.

5 Result of the Audit of the Statement of Accounts

- 5.1 The external audit is now substantially complete, and 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 outcome of the audit is provided in more detail within the Audit Findings Report.
- 5.3 The auditor has also completed their review of 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”.
- 5.4 Grant Thornton continue to progress their work on the objection to the Accounts. Whilst this is not expected to affect the auditor Opinion in respect of the true and fair view of the financial statements, Grant Thornton cannot issue a formal Conclusion of Audit Notice until this matter is fully concluded.

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.
- 7.2 The extended duration of the audit has been challenging both in terms of auditor resources and Council staff resources. The S151 Officer acknowledges that the completion of the audit has also been undertaken at a time of significant change to the organisation with transformation and the implementation of the new Council, directly impacting on the finance function as well as other teams. The extended duration of the period through which the audit has been completed has presented some logistical challenges and additional demands on officer time. The S151 Officer places on record his thanks to the team who have worked extremely hard to complete the accounts and support the progress of the audit during this period of disruption.
- 7.3 Despite the challenges, it is very pleasing and reassuring to have completed the draft accounts on time with no material errors, and to have received the unqualified audit opinion for the audited accounts.

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 – 11 November 2019**

Reporting Frequency: Annually

List of Additional Documents:

Taunton Deane Borough Council Statement of Accounts
Letter of Representation

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