

Somerset West and Taunton Council

Audit Governance and Standards Committee – 31 July 2019

Taunton Deane Borough Council Statement of Accounts 2018/19

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

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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.
- 1.2 At the time of preparing this report the audit of the draft accounts remains in progress, and Grant Thornton recently informed the S151 Officer that audit testing cannot be completed by 31 July Committee date as a result of some delays in information and additional testing requirements. It is not therefore possible to present the audited accounts for approval by the 31 July statutory deadline. This delay relates to logistical issues and is a matter of timing rather than quality of accounts.
- 1.3 The S151 Officer has discussed the requirements for publication in these circumstances. The Audit Governance and Standards Committee is therefore requested to approve the draft accounts as unaudited, and as such these will be republished in line with 31 July target date. A further update will be reported to Committee once the audit is completed and the Opinion given, however the Committee is requested to approve the updated draft accounts for publication subject to completion of the audit.
- 1.4 There are no material errors identified in the accounts from the testing undertaken so far, and a small number of misstatement and disclosure changes were identified which have been made in the updated draft set of financial statements. These are covered in Grant Thornton's interim Audit Findings Report included within this Agenda.

2 Recommendations

- 2.1 The Committee is recommended to:
 - a. Note the progress of the Audit and that the Audit Opinion is not anticipated

to be issued by 31 July 2019.

b. Approve the 2018/19 Draft Statement of Accounts subject to audit.

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.
- 3.3 The Council's Statement of Accounts is being audited this year by Grant Thornton UK LLP. At the time of writing this report, Grant Thornton has indicated it is unlikely that they will be able to provide their Audit Opinion by 31 July, with a significant amount of testing still to be completed. As highlighted within the Audit Findings Report, there have been problems obtaining information / working papers on a timely basis. Equally, there is an increase in the scope and volume of work required due to increasing levels of scrutiny on auditors by regulators.
- 3.4 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.
- 3.5 Grant Thornton have 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.

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 The Net Cost of Services has increased by £18.851m 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.
- 4.6 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 £15.541m in 2018/19.
- 4.7 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.
- 4.8 The Financial Outturn position for 2018/19 has recently been reported to Executive 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.

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 decreased by £11.106m in year to £42.263m. The decrease is due to funding of

redundancies, transformation, refurbishment of Deane House and funding of the capital budget.

- 4.11 The Statement shows that both the General Fund and Housing Revenue Account (HRA) balances are above the minimum level required in the Council's financial strategy. During the year General Fund Reserves have decreased from £2.299m to £2.223m (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

- 4.12 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 positive balance of £249.791m to £258.455m, an increase of £8.664m.

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 increased by approximately £2.525m.

Housing Revenue Account

- 4.17 The Housing Revenue Account (HRA) Income and Expenditure Account shows the economic cost in year of providing housing services.
- 4.18 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

- 4.19 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.

- 4.20 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.
- 4.21 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 As stated above, the external audit review is in progress but not yet completed, and as such Grant Thornton do not envisage issuing their Audit Opinion by 31 July. No material errors have been identified that require the accounts to be adjusted.
- 5.2 During the audit work completed to date a small number of misstatement and disclosure changes were identified and these are reflected in the Statement of Accounts presented to Committee with this report. These changes have been identified in the Audit Findings Report included within this Agenda.
- 5.3 The auditor has 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 As the audit remains in progress the Committee is requested to approve the Statement of Accounts subject to audit, and publish these by the 31 July deadline. The final audited Statement will be brought to the Committee once the audit has been completed, with a final Audit Findings Report and Opinion.

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:

Taunton Deane Borough Council Statement of Accounts
Letter of Representation

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