

AUDIT & GOVERNANCE COMMITTEE

Wednesday, 25 July 2018

AUDITED STATEMENT OF ACCOUNTS 2017/18 (REP1782)**EXECUTIVE SUMMARY**

1. The Accounts and Audit Regulations 2015 requires the Council's Chief Finance Officer to sign the Accounts by no later than 31st May following the end of the financial year, certifying that they "present a true and fair view of the financial position of the Council at 31st March 2018 and of its income and expenditure for the year ending on that date".
2. In previous years, the Statement of Accounts was required to be signed by the Chief Finance Officer no later than 30th June following the end of the financial year and the external auditors were required to issue their audit opinion by 30th September.

Even with the tighter deadline of 31st May, which reduced the closedown period by one month, the Financial Services team managed to produce two sets of accounts, one for Suffolk Coastal District Council and one for Waveney District Council by the new deadline.

3. The external auditors are now required to issue their audit opinion by 31st July, which is two months earlier than previous years and this is being managed by Financial Services team members prioritising audit requests over day to day work requirements and ensuring working papers provided to external audit are of a high quality.
- 4.

The Council, once again, has successfully delivered its services within its challenging approved budget, ending the year having achieved its planned savings of £2.339m, leaving the Council in a strong financial position.

The draft Statement of Accounts for 2017/18 at Appendix A confirms the position noted above and that after appropriate transfers to earmarked reserves, the Council achieved a General Fund breakeven position for the year. This is after taking account of £844k transferred to the In-Year Savings Earmarked Reserve to help with future budget gap savings and £169k added to the Carry Forward Requests Earmarked Reserve. The General Fund balance as at 31st March 2018 was £3.999m.

The Housing Revenue Account (HRA) shows a planned deficit for the year of £2.310m. Compared to a revised budget deficit of £2.614m, the HRA marginally outperformed budget expectation by £304k.

Although the audit work has not yet been concluded, it is anticipated that the Council will achieve an unqualified Value for Money opinion for the year, and an unqualified audit opinion on the 2017/18 Statement of Accounts. Any changes resulting from the final stages of the audit will be reported at the Audit & Governance Committee meeting on 25th July 2018 for approval.

Is the report Open or Exempt?	Open
Wards Affected:	All Wards in the District
Cabinet Member:	Councillor Bruce Provan Cabinet Member for Resources
Supporting Officer:	Homira Javadi Chief Finance Officer 01394 444529 homira.javadi@eastsoffolk.gov.uk

1 INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 requires the Council's Chief Finance Officer to sign the Accounts by no later than 31st May following the end of the financial year, certifying that they "present a true and fair view of the financial position of the Council at 31st March 2018 and of its income and expenditure for the year ending on that date".
- 1.2 This report presents the main highlights of the Narrative Report, updates Members on the audit work, and comments on the anticipated outcomes arising from the 2017/18 audit.
- 1.3 Although the audit work has not yet been concluded, the current version of the Statement of Accounts 2017/18, updated for any amendments arising from the audit process, is appended to this report for consideration by the Committee. Any changes resulting from the final stages of the audit will be reported verbally at the meeting on 25th July 2018 for approval.

2 GENERAL FUND OUTTURN

- 2.1 The outturn for the financial year 2017/18, following appropriate transfers to earmarked reserves, was a breakeven position between the revised budget and the year end position. A number of projects accounting for £169k of expenditure were approved to be carried forward to 2018/19 when they will be completed. The Council also added £844k to the In-Year Savings earmarked reserve to help with future budget gap savings.
- 2.2 An analysis of the main variances for the outturn surplus is explained in Section 4 of the Narrative Report.
- 2.3 The Medium Term Financial Strategy identifies a target for the General Fund Balance of about £3m as a prudent level to maintain in the long term, based on the risks contained within the Budget. As at end of March 2018, the General Fund Balance was £3.999m which puts the Council in a stronger position to mitigate some of the future funding uncertainties and budgetary pressures.
- 2.4 Section 6 of the Narrative Report also shows the Council's General Fund Budget plans for the next four financial years, as approved in February 2018.

3 HOUSING REVENUE ACCOUNT (HRA)

- 3.1 The Revised Budget estimated a deficit of £2.614m, which when compared to the outturn of £2.310m deficit, has generated a saving of £304k for 2017/18. Section 4 of the Narrative Report includes details of the main variances between Revised Budget and outturn together with the Council's HRA budget plans for the next four years.
- 3.2 As at end of March 2018, the HRA Balance was £4.937m.

4 COLLECTION FUND

- 4.1 The Collection Fund records the income from Council Tax and Non Domestic Rates (NDR) and its distribution. Council Tax income is a significant component of the available resources which finance the expenditure of Suffolk County Council, the Office of the Police and Crime Commissioner for Suffolk, Waveney District Council and its Town and Parish Councils.
- 4.2 Since the 1st April 2013, the Business Rates Retention scheme requires the District Council as Billing Authority to distribute NDR income 50% to Central Government, 40% to Waveney District Council and 10% to Suffolk County Council.

- 4.3 A summary of the balances on the Collection Fund are set out in Section 4 of the Narrative Report. At 31st March 2018 the Council Tax Collection Fund had an in-year surplus balance of £228k which will be shared between the three major precepting authorities. The Council's share will be a £50k surplus. The Council Tax Collection Fund overall still as a surplus of £1.398m which will be carried forwarded into 2018/19. This will be taken into account when setting 2019/20 revenue budget and Council Tax levels for East Suffolk Council.
- 4.4 At 31st March 2018 the National Non Domestic Rate (NNDR) Collection Fund had a deficit of £292k. This amount will be shared between Central Government, Waveney District Council and Suffolk County Council based on the 50%, 40% and 10% splits respectively. The District Council's share of the deficit is £117k. The reason for the surplus is explained in detail within Section 4 of the Narrative Report, along with an explanation of the change between the NNDR1 position (Collection Fund pays Central Government, Suffolk County Council and Waveney District Council based on these estimates) and the NNDR3 position (actuals for the year).

5 CAPITAL EXPENDITURE AND FINANCING

- 5.1 Section 4 of the Narrative Report provides a comparison between the outturn as at 31st March 2018 and the Council's revised Capital Programme for 2017/18 as approved in February 2018. The general fund outturn was £5.173m below the revised budget for 2017/18 with spend at £2.026m compared to a revised budget of £7.199m.
- 5.2 The HRA outturn was £3.986m below the revised budget for 2017/18 with spend at £7.006m compared to a revised budget of £10.992m.
- 5.3 Explanations of the main variances are also included in the Narrative Report at Section 4, together with details of the various methods of financing the Capital Programme. Capital expenditure plans for the next four years are also detailed in Section 6.

6 PENSIONS

- 6.1 Pension costs are accounted for in accordance with the International Accounting Standard IAS 19. The objectives of IAS 19 are to ensure that the financial statements reflect the assets and liabilities arising from an employer's retirement benefit obligations.
- 6.2 However IAS 19 costs are not chargeable to Council Tax and the impact is reversed out and replaced by actual payments made to the Pension Fund.
- 6.3 The Pensions Liability in the Balance Sheet reflects the underlying long term commitments that the Council has to pay retirement benefits.
- 6.4 The net impact of the Pension Liability decrease of £1.276m on overall reserves (£38.087m at 31st March 2018, compared to £39.363m at 31st March 2017).
- 6.5 The latest triennial actuarial review of the Suffolk County Council Pension Fund was completed at 31st March 2016, and a revised common rate of employer's contribution commenced on 1st April 2017 and formed part of the budget for 2017/18 and future years.

7 RESERVES AND PROVISIONS

- 7.1 In addition to the General Fund balance referred to earlier in this report, the Council has General Fund Earmarked Reserves at 31st March 2018 totalling £10.841m for revenue purposes (£8.644m at 31st March 2017) and £661k for capital purposes (£498k at 31st March 2017).

- 7.2 HRA Earmarked Reserves at 31st March 2018 totalled £10.882m for revenue purposes (£6.132m at 31st March 2017) and £19.099m for capital purposes (£15.787m at 31st March 2017). The HRA also has its working balance referred to earlier in this report.
- 7.3 Section 4 of the Narrative Report contains further details of the main reserves at 31st March 2018 compared to the previous year.

8 OVERALL FINANCIAL POSITION AND PROGRESS ON THE AUDIT

- 8.1 Section 6 of the Narrative Report brings together the financial results for the year and takes a look at the year ahead.
- 8.2 The Council, once again, has successfully delivered its services within its challenging approved budget, ending the year having achieved its planned savings of £2.339m, leaving the Council in a strong financial position.
- 8.3 Whilst the audit of the draft Statement of Accounts is not yet concluded, at the time of drafting this report, all identified issues that have required adjustments to the draft accounts are included within the appended statements.
- 8.4 The anticipated outcome of the audit is that once again the Council will achieve an unqualified Value for Money opinion, and an unqualified opinion on the Statement of Accounts. An updated position will be presented to Committee at the meeting.
- 8.5 The General Fund balance is healthy and has been for a number of years. This gives the Council greater financial resilience as it faces unprecedented financial pressures over the Medium Term Financial Strategy period.

9 CONCLUDING THE AUDIT

- 9.1 Any changes resulting from the final stages of the audit will be reported to Committee at the meeting.

10 HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?

- 10.1 The Audit Results Report is a statutory requirement by the Local Audit and Accountability Act 2014. The Audit Results Report does not link directly to the Vision of the Business Plan, but through securing external assurance over the Council's governance, financial statements and value for money, this will help to achieve the critical success factors and planned actions set out in the Business Plan.

11 OTHER OPTIONS CONSIDERED

- 11.1 No other options were considered.

12 REASON FOR RECOMMENDATION

- 12.1 The consideration and approval of the Statement of Accounts is a statutory requirement under the Accounts and Audit Regulations 2015.
- 12.2 To provide Members with financial information on the Council's Reserves and Balances to assist in formulating budget policies for 2019/20 and beyond as East Suffolk Council.

RECOMMENDATIONS

1. That the Committee reviews the Statement of Accounts for 2017/18 and notes the outturn position.
2. That the Committee approves the Statement of Accounts.
3. That should any further minor amendments be required the Chief Finance Officer, in consultation with the Chairman of the Audit & Governance Committee, be given delegated authority to make these changes.

APPENDICES**Appendix A**

Audited Statement of Accounts for 2017/18

BACKGROUND PAPERS - none