

Performance and Audit Scrutiny Committee



Forest Heath
District Council

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| Title of Report: | 2017/18 Annual Statement of Accounts | |
| Report No: | PAS/FH/18/027 | |
| Report to and date: | Performance and Audit Scrutiny Committee | 25 July 2018 |
| Portfolio holder: | Councillor Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01799 530325 Email: Stephen.edwards@forest-heath.gov.uk | |
| Lead officer: | Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: Rachael.mann@westsuffolk.gov.uk | |
| Purpose of report: | To present the 2017/18 Statement of Accounts to this committee for scrutiny and approval, in accordance with powers delegated to it under the Council's Constitution. | |

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| Recommendation: | Performance and Audit Scrutiny Committee: It is <u>RECOMMENDED</u> that: (1) The Committee <u>approves</u> the 2017/18 Statement of Accounts (attached at Appendix A) in accordance with powers delegated to it under the Council's Constitution; (2) The Chairman of the Committee signs the certification of the 2017/18 Statement of Accounts on behalf of the Committee; and (3) The Chief Financial Officer, in consultation with the Portfolio Holder for Resources and Performance, be given delegated authority to make any presentational and non-material changes that may be required up to the date of publication. | |
| Key Decision: <i>(Check the appropriate box and delete all those that <u>do not</u> apply.)</i> | <i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/> | |
| Consultation: | <ul style="list-style-type: none"> Not applicable | |
| Alternative option(s): | <ul style="list-style-type: none"> Not applicable | |
| Implications: | | |
| Are there any financial implications? <i>If yes, please give details</i> | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> This report presents the Council's 2017/18 Statement of Accounts for committee scrutiny and approval and includes a summary of financial highlights for the 2017/18 financial year. | |
| Are there any staffing implications? <i>If yes, please give details</i> | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> | |
| Are there any ICT implications? <i>If yes, please give details</i> | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> | |

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| Are there any legal and/or policy implications? If yes, please give details | | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> Local Government Finance Act 1992 – balanced budget requirement and adequacy of reserves. Local Government Act 1972 – requirement for the proper administration of financial affairs. Accounts and Audit Regulations 2015 – requirements for the reporting and approval of the Council’s annual financial statements. | |
| Are there any equality implications? If yes, please give details | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> • | |
| Risk/opportunity assessment: | | <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i> | |
| Risk area | Inherent level of risk (before controls) | Controls | Residual risk (after controls) |
| | Low/Medium/ High* | | Low/Medium/ High* |
| Revenue and capital budget management – failure to achieve projected income or expenditure exceeds approved budgets. | High | <ul style="list-style-type: none"> Budgets reflect economic situation facing the Council Clear responsibilities for budget monitoring and control Annual saving programme used to deliver required budget savings Medium term financial planning to capture the longer term budget implications | Medium |
| Ward(s) affected: | | All Wards | |
| Background papers: <i>(all background papers are to be published on the website and a link included)</i> | | Budget and Council Tax Setting: 2017/18 (Council 22 February 2017 COU/FH/17/005) Financial Performance Report (Revenue and Capital) Outturn - 2017-18 (Performance and Audit Scrutiny Committee 31 May 2018 PAS/FH/18/017) | |
| Documents attached: | | Appendix A – Statement of Accounts 2017/18 | |

1. Key issues and reasons for recommendation(s)

- 1.1 Statutory requirements for the reporting and approval of the Council's annual financial statements are set out in the Accounts and Audit Regulations 2015. The regulations require the Council to submit draft accounts to its external auditors (currently Ernst and Young) by 31 May each year, with member scrutiny and approval of the accounts required once the audit has been concluded (by 31 July each year).
- 1.2 This is the first year that these new deadlines have been in place. Previously the draft accounts had to be submitted to auditors a month later than the new requirements (by 30 June), with the audit conclusion and member scrutiny taking place by 30 September (ie 2 months later).
- 1.3 In order to meet the tighter timescales, Ernst and Young undertook early work prior to the completion of the accounts in February and March 2018, with the main audit commencing in June 2018. The results of Ernst and Young's review of the accounts are provided in the Annual Results Report, which is included on this Committee's agenda. The attached accounts (Appendix A) have been amended (as appropriate) to take on board issues raised by the audit process up to the date of distribution.
- 1.4 The auditors intend to issue an unqualified opinion on the financial statements and to issue a VFM conclusion that the Council has made the appropriate arrangements to secure economy, efficiency and effectiveness in our use of resources.
- 1.5 The 2017/18 accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which is updated annually to reflect statutory and regulatory changes to accounting policies.

2. Financial Highlights – 2017/18

- 2.1 External economic pressures and uncertainty are continuing to impact on the finances of the Council. A full commentary on the financial performance of the Council can be found in the Narrative Report on pages 3 to 10 of the Statement of Accounts, key aspects of which are highlighted below:
- 2.2 **Revenue Expenditure** – The revenue outturn position at 31 March 2018 was a break even position. This break even position was achieved against an annual total income of around £36m. Details of major variances can be seen in the report reference PAS/FH/18/017, entitled 'Financial Performance Report (Revenue and Capital) Outturn - 2017/18' considered by this committee on 31 May 2018. At the end of the year, the general fund reserve balance remained at £2m.
- 2.3 **Capital Expenditure** - Actual capital programme spend for the year was £2.5m which included expenditure on both Mildenhall Hub and West Suffolk Operational Hub. Details of the major variances on the capital programme can also be seen in report PAS/FH/18/017.

- 2.4 **Usable Reserves** - The Council has a track record of sound financial management. An integral part of the Council's financial strategy is to ensure that usable reserves are maintained at a healthy level. Usable reserves are split into two main categories; revenue reserves (the General Fund and Earmarked reserves) and unallocated capital reserves (i.e. Capital Receipts Reserve and Capital Grants Unapplied Reserve). During 2017/18 the total value of the Council's usable revenue and capital reserves increased from £15.0m (at 1 April 2017) to £17.2m (at 31 March 2018), a net increase of £2.2m. Further details regarding the movement on reserves during the year are provided on page 15 of the Statement of Accounts.
- 2.5 **Pension Fund** - The Local Government Pension Scheme is a national statutory scheme which, for Suffolk authorities, is administered by Suffolk County Council. Annual scheme valuations based on International Accounting Standards (IAS 19) are undertaken for the purposes of the Council's annual financial statements. As at 31 March 2018, the Council's IAS19 pension valuation disclosed an overall fund deficit of £16.8m compared to £18.0m at 31 March 2017. The decrease in deficit is primarily due to the financial assumptions at 31 March 2018 being more favourable than at the beginning of the year. It must be emphasised that this change in the Pension Fund's reported IAS19 deficit position has no immediate impact on the Council's General Fund or council tax payers, as the contribution rates to the Suffolk County Council pension fund are determined by a separate triennial actuarial review and not the IAS19 valuations. Further details regarding the Council's pension fund performance are provided on page 6 of the Statement of Accounts.

3. **Annual Governance Statement**

- 3.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is undertaken in line with the CIPFA/SOLACE '*Delivering Good Governance in Local Government Framework*' guidance. The outcome of this review forms the basis of the Annual Governance Statement (AGS) which was considered earlier on the agenda. The AGS does not form part of the Statement of Accounts (and is not covered by the Chief Finance Officer's certification or the audit report) but will be included alongside it in the final published accounts.

4. **Conclusion**

- 4.1 Forest Heath, like almost every public and private sector organisation in the Country, continues to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending. Within this climate the Council has striven to drive out costs whilst continuing to maintain services to the public. In view of the significant financial challenges faced by the Council, the budget break even position in 2017/18 was a positive result. Officers took action where possible to reduce expenditure during the year, in order to plan for future financial pressures. The challenge continues as service demand increases in many areas and projected Government funding levels continue to fall.