

Meeting:	Audit and governance committee
Meeting date:	Monday 30 July 2018
Title of report:	Approving the 2017/18 statement of accounts
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To approve the 2017/18 statement of accounts and associated letter of representation to Grant Thornton, the external auditors.

The Local Audit and Accountability Act 2014 requires the Council to produce a statement of accounts in accordance with the Accounts and Audit Regulations 2015. The process requires the accounts to be certified by the S151 officer by 31 May and then approved by the audit and governance committee by 31 July.

Changes to the statement of accounts following the external audit are listed in the audit findings report. The letter of representation attached at appendix b confirms that the group and parent Council financial statements are free of material misstatements, including omissions

Recommendation(s)

That:

- (a) the 2017/18 statement of accounts (at appendix a) be approved; and**
- (b) the letter of representation (at appendix b) is signed by the chairman of the committee and the chief finance officer.**

Alternative options

1. There are no alternative options as it is a statutory requirement to approve the accounts and sign the letter of representation.

Key considerations

2. The statement of accounts (appendix a) have been drawn up in accordance with the Accounts and Audit Regulations 2015, and the CIPFA code of practice on local authority accounting in the United Kingdom (the code). The code consolidates the statutory requirements and accounting standards that the council is legally required to follow.
3. The most significant matters in the 2017/18 accounts and a summary of the council's financial position are set out in the narrative report. Key points for 2017/18 include the following:
 - a) in 2017/18 the council delivered a balanced outturn position.
 - b) the general fund reserve remained at £7.9m, 5% of its 2018/19 net revenue budget.
 - c) specific reserves have been set aside totalling £57.8m to mitigate financial risks in future years.
 - d) the statement of accounts includes for the first time group accounts reporting the position for the group, being Herefordshire Council and Hoople Limited, providing greater transparency of the council's overall activities.

2017/18 statement of accounts

4. The main financial statements are prepared in accordance with international financial reporting standards. These comprise: the movement in reserves statement, a comprehensive income and expenditure account, a balance sheet and a cash flow statement.

Movement in reserves statement

5. This statement shows the movement in the year on the different reserves held by the council, analysed into usable and non-usable reserves. These are used to balance the council's balance sheet which details all assets and liabilities as at the end of the financial year.

Usable reserves

6. Total usable reserves at 31 March 2018 were £111.0m compared with £58.4m at 31 March 2017. The main reason for this increase is due to the sale of the smallholding estate with the capital receipts reserve increasing by £38.4m in 2017/18. The movements are summarised in the table below.

	General Fund £m	Earmarked reserves £m	Capital receipts reserve £m	Capital grants unapplied £m	Total usable reserves £m
Balance as at 31 March 2017	7.9	44.7	4.2	1.6	58.4
Balance as at 31 March 2018	7.9	57.8	42.6	2.7	111.0

Increase / (decrease)	-	13.1	38.4	1.1	52.6
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Unusable Reserves

7. Unusable reserves are not available to be spent. They include unrealised gains and losses, such as the revaluation reserve and timing differences for funding of spend on assets (through the capital adjustment account).
8. The unusable reserves totalled £139.6m at 31 March 2018 compared to £56.9m at 31 March 2017 with the main movement being an increase in the revaluation reserve of £54.3m. This reflects the impact of the large number of asset revaluations resulting in a valuation increase. This increase relates to both investment assets and asset valued at their depreciated replacement cost. The increase is due to an improvement in returns from property rental agreements and recognition of the impact of increases in the estimated cost of replacing assets if the needs were to arise.

Comprehensive income and expenditure statement

9. This statement shows the accounting cost in the year of providing services as required under international reporting standards. This differs from the amount to be funded from council tax. Authorities raise taxation to cover expenditure in accordance with regulations. The adjustments to reconcile this statement to the amount to be funded from council tax are included in the movement in reserves statement.

Balance Sheet

10. The balance sheet summarises the council's assets, liabilities and reserves at the end of the financial year.
11. At 31 March 2018 long term assets totalled £674.1m, compared to £613.8m at 31 March 2017. Long term assets include the current valuation of property, plant and equipment the council uses in the provision of its services and the inclusion of capital spend during the year.
12. Current assets totalled £52.3m at 31 March 2018, compared to £29.7m at 31 March 2017. The main increase representing an increase in cash balances held at the year-end, of £11.6m, due to the receipts from the sale of the smallholdings estate.
13. Current liabilities totalled £47.9m at 31 March 2018, compared to £72.0m at 31 March 2017. The decrease mainly being due to a reduction in short term borrowing, of £22.7m, reflecting the reduced need to borrow funds following the sale of the smallholdings estate.
14. Long term liabilities totalled £427.9m at 31 March 2018 compared to £456.2m at 31 March 2017. This follows no new long term borrowing requirement, a decrease of £5.5m, and a reduction in the long term pension liability of £22.1m due to a change in financial assumptions applied by the actuary.

Cash flow statement

15. This statement represents a summary of all cash flowing in and out of the council during 2017/18, during 2017/18 there was a net increase in cash and cash equivalents of £9.4m.

Group accounts

16. The group accounts consolidate the performance of the Council with its subsidiary Hoople Limited in 2017/18. The impact of the consolidation reduces the council's reserves position by £3.6m primarily as a consequence of the cumulative pension deficit provided in the accounts of Hoople Limited of £5.1m.

The collection fund

17. The collection fund includes income from council taxpayers and business ratepayers, which totalled £163.0m in 2017/18 compared to £165.4m in 2016/17. Expenditure includes precept payments to West Mercia Police (£12.8m), Hereford and Worcester Fire Authority (£5.8m) and parishes (£3.8m). These are paid from income collected from taxpayers on their behalf. In 2017/18 business rates of £22.4m were paid to central government representing 50% of business rate income collected.

Letter of representation

18. Attached at appendix b is the council's letter of representation confirming that, to the best of the council's knowledge and belief, the financial statements, at appendix a, give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

Community impact

19. Publication of the statement of accounts in accordance with statutory requirements helps the council to achieve its code of corporate governance commitment to behave with integrity, demonstrate strong commitment to ethical values, and respect the rule of law. The council is accountable for how it uses the resources under its stewardship, including accountability for outputs and outcomes achieved. In addition the council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.

Equality duty

20. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
A public authority must, in the exercise of its functions, have due regard to the need to -
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
21. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

22. Contained in the report.

Legal implications

23. Regulation 9 of the Accounts and Audit Regulations 2015 require the following;
24. The s151 officer must sign and date the statement of accounts, and confirm that he is satisfied that it presents a true and fair view of the financial position of the council at the end of the financial year to which it relates together with the income and expenditure for that financial year. This was completed on 31 May.
25. The period of the exercise of public rights for the inspection of the accounts commenced on 1 June and was notified to the local auditor on 31 May.
26. Following the conclusion of the period for inspection, the committee must approve the statement of accounts by a resolution and ensure that the statement of accounts is signed and dated by the person presiding at the committee. In order to do so the s151 officer has re-confirmed that he is satisfied that the statement of accounts presents a true and fair view as detailed in paragraph 18 above.

Risk management

27. The risk is that the external auditors will not issue an unqualified opinion on the statement of accounts by the 31 July. The risk is mitigated by providing working papers and officer time to help external auditors form an appropriate judgement on the statement of accounts by 31 July.

Consultees

28. The statement of accounts were made available for public inspection between 1 June and 12 July 2018. No response and no objections have been received.

Appendices

- Appendix A 2017/18 Statement of accounts
- Appendix B Letter of representation

Background papers

None identified