

Report to	Policy & Resources Committee
Date	20 July 2017
By	Chief Finance Officer
Title of Report	Audited Statement of Accounts 2016/17 and Letter of Representation

Recommendation: The Committee is recommend to:

- 1) Note the Commentary on the Accounts set out in Appendix 1 of this report.**
- 2) Consider and approve the audited Statement of Accounts 2016/17 as set out in Appendix 2 of this report, subject to no formal objections being lodged as part of the Public Inspection process.**
- 3) Consider and approve the Letter of Representation as set out in Appendix 3 of this report, subject to no objections being received as part of the Public Inspection process.**
- 4) Note the findings of the external auditor in their Audit Results Report elsewhere on this agenda.**
- 5) Note that the period of Public Inspection ends on 21 July 2017.**

1. Introductions

- 1.1 This report provides information about the preparation and audit of the Authority's 2016/17 Statement of Accounts and recommends approval of the 2016/17 audited accounts and Letter of Representation on behalf of the Authority. Under the Committee's terms of reference, the Policy & Resources Committee is charged with this responsibility.

2. Background

- 2.1 The main legislative requirements relating to the preparation, publication and audit of the Authority's accounts are contained in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.
- 2.2 Under the Accounts and Audit Regulation 2015, it is a requirement that the annual accounts should be prepared as soon as practicable after the end of the financial year, and considered and approved by a resolution of the Committee charged with governance or the full Authority by 30 September.

3. Format of the Statement of Accounts

- 3.1 The purpose of the Statement of Accounts is to provide information to a whole range of stakeholders and the general public about the financial position, financial performance and cash flows of the Authority and to provide answers to basic questions such as:
 - What did the Authority's services and capital programme cost?
 - Where did the money come from?
 - What does the Authority own?
 - What amounts were due and what was owed at the end of the financial year?

- What commitments does the Authority have and what provision and reserves has the Authority set against these?

A brief commentary on the key aspects of the Statement of Accounts 2016/17 is included in **Appendix I** of this report.

3.2 The audited Statement of Accounts 2016/17 is included in **Appendix 2** of this report. In accordance with the Accounts and Audit Regulations 2015, that Statement of Accounts includes:

- Narrative report;
- Statement of responsibilities;
- Core financial statements;
- Supplementary statements;
- Notes to the accounts;
- Accounting policies.

3.3 The Statement of Accounts comprises the Single Entity Accounts, which are in respect of wholly owned Authority controlled activities. During the period, there were no activities where the Authority has a significant interest or share in a subsidiary, associate or joint venture requiring the preparation of Group Accounts.

3.4 The Single Entity core financial statements included within the Statement of Accounts comprise the following:

- Expenditure and Funding Analysis (EFA);
- Comprehensive Income and Expenditure Statements (CIES);
- Movement in Reserves Statement (MiRS);
- Balance Sheet (BS);
- Cash Flow Statement;
- Other Notes to the Financial Statements;
- Statement of Accounting Policies.

4. Preparation of the Statement of Accounts

4.1 The Authority is required to present its financial statements on an International Financial Reporting Standards (IFRS) basis in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and covers the period 1 April 2016 to 31 March 2017. There has been no deviation from the requirements of the Code and all accounting policies adopted by the Authority for the 2016/17 Statement of Accounts are in line with the requirements of the Code.

4.2 The accounts have been prepared by appropriately qualified and trained officers from Brighton & Hove City Council (BHCC) as the Authority's financial services provider. BHCC officers who are involved in the preparation of the Statement of Accounts attend regular training to ensure they maintain an up to date knowledge of requirements, including continuous professional development.

4.3 BHCC officers have made reference to CIPFA's Practitioners' Guidance Notes, disclosure checklists and other technical guidance in preparing the Statement of Accounts to ensure compliance with all statutory and other regulatory requirements.

4.4 The Authority makes a number of critical judgements, accounting estimates and assumptions in the preparation of the financial statements which are disclosed in note 3 to the financial statements.

4.5 As part of the accounts preparation process, a full review of the financial statements, notes and critical accounting transactions was undertaken by senior officers of BHCC. Following this

review, the Unaudited Statement of Accounts was then approved by the Chief Finance Officer to be issued for public inspection and audit.

- 4.6 The Authority has introduced a change in accounting policy in respect of new formats and reporting requirements for the Comprehensive Income and Expenditure Statements (CIES) and the Movement in Reserves Statements (MiRS) and the introduction of a new Expenditure and Funding Analysis (EFA). Details of these changes are given in note 1 of the Statement of Accounts.

5. Audit of the Statement of Accounts

- 5.1 The external auditors (EY) have completed the audit of the Authority's accounts and their Audit Results Report forms part of the Committees' agenda. The purpose of the work of external auditors is designed to:
- express an opinion on the 2016/17 financial statements and the consistency of other information published with them;
 - consider and report any matters that prevent them being satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - discharge their statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.
- 5.2 EY have conducted their audit of the Statement of Accounts and have recommended that a number of disclosure misstatements be corrected prior to issuing their opinion and publication of the accounts. All misstatements identified from the audit have been discussed with BHCC officers and amendments have been made to the financial statements where these are considered material for adjustment. EY will be presenting their findings to this Committee through the Audit Results Report (ARR) elsewhere on this agenda, after which they will be able to issue their audit opinion and the accounts will be published.
- 5.3 The Audit Results Report for 2016/17 states that an unqualified audit opinion will be issued and that the Authority has proper arrangements in place to secure value for money in its use of resources. There are also two specific recommendations as detailed in the ARR which will be implemented for 2017/18.
- 5.4 The Letter of Representation as set out in **Appendix 3** provides the external auditor with written representation from the Chief Finance Officer and the Committee on matters material to the financial statements when other sufficient appropriate audit evidence cannot be reasonably expected to exist. The letter is a significant procedure in enabling the external auditor to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Authority.

6. Public Inspection of the Accounts

- 6.1 The period for public inspection is 12 June 2017 to 21 July 2017. Members of the public, in accordance with the Accounts and Audit Regulations 2015, are granted access for a period of 30 working days to the Authority's Unaudited Statement of Accounts and were invited to enquire on any aspect of the Accounts. Members are advised that the period of public inspection is still open.
- 6.2 If a member of the public is not satisfied with the response received, they are able to lodge a formal objection to the Accounts with the external auditor. The approval of the Statement of Accounts 2016/17 and Letter of Representation is therefore subject to no formal objections being lodged as part of the Public Inspection process.

7. Other Implications

Implication	Yes/No
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any resource implications?	Not directly. Associated resource decisions including agreement of budget carry forwards and reserves were made by the Policy & Programme Committee in May 2017.
How does the proposal represent Value for Money?	The financial statements are important in terms of publically reporting and demonstrating how the authority has deployed its resources during the financial year.
Are there any Social Value implications arising from the proposal?	No
Has due regard has been taken of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	No
Are there any Human Rights implications arising from the proposal?	No.
Are there any Crime & Disorder implications arising from the proposal?	No
Are there any Health & Safety implications arising from the proposal?	No
Are there any Sustainability implications based on the 5 principles set out in the SDNPA Sustainability Strategy: 1. Living within environmental limits 2. Ensuring a strong healthy and just society 3. Achieving a sustainable economy 4. Promoting good governance 5. Using sound science responsibly	No

8. Risks Associated with the Proposed Decision

8.1 There are no risks associated the proposed decisions arising from this report.

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Appendices

1. Commentary on the Statement of Accounts
2. Statement of Accounts 2016/17
3. Letter of Representation

SDNPA Consultees None

External Consultees None

Background
Documents None

Appendix I

Commentary on the Statement of Accounts

Revenue Income and Expenditure

In 2016/17 the Authority spent £12.488m on services, which was £1.111m lower than that spent in 2015/16. In 2016/17, the Authority reported its financial performance across four service areas. These service areas are classed as “operating segments” of the Authority. The aim of reporting financial performance at operating segment level is to enable users of the Authority’s financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environment in which it operates.

In 2016/17 the Authority received revenue income of £13.270m; this was £0.748m lower than that received in 2015/16. The income relates to various sources such as government grants and contributions (£10.904m); fees, charges and other service income (£2.269m); interest receivable (£0.066m); and income from non-current asset disposals (£0.031m).

For the 2016/17 financial year, the Authority reported a small overspend of £0.031m compared to the approved budget.

Capital Summary

The Authority did not have a capital investment programme in 2016/17

Property, Plant and Equipment (PPE)

The Authority holds land and buildings (i.e. the South Downs Centre) and vehicles, plant, furniture and equipment as PPE assets. The value of the Authority’s PPE has decreased in the financial year by £0.080m from the level reported in 2015/16 to £1.816m in 2016/17.

Debtors

At 31 March 2017, £0.894m was owed to the Authority by debtors over the short term (i.e. 12 months). The level of short term debtors has decreased during the financial year by £0.147m. The Authority does not have any long term debtors.

Creditors

At 31 March 2017, the Authority owed £3.047m to creditors; these amounts are owed over the short term. The level of short term creditors has increased during the financial year by £0.413m.

Reserves and Provisions

The level of General Fund balance held is a professional judgment by the Authority based on local circumstances including the overall budget size, risk, robustness of estimates, major initiatives being undertaken, budget assumptions and the levels of other earmarked reserves and provision. The overspend of £0.031m in 2016/17 has been consolidated into the Authority’s General Fund which stands at £0.991m.

The Authority also holds earmarked reserves of £4.378m as at 31 March 2017.

The Authority has also set aside amounts in provisions for specific future liabilities. The level of provision held as at 31 March 2017 was £0.168m, an increase of £0.115m; this increase is mainly in respect of £0.107m being set aside to meet obligations relating to two resolved planning appeals and challenges, where the exact value and timing of costs are uncertain as at 31 March 2017 but reliable estimates can be made.

Pension Liabilities

The Authority’s net liability for future pension payments, as estimated by the pension actuary, has increased in the financial year by £0.563m from the level reported as at 31 March 2016 to £1.183m as at 31 March 2017. The overall liability represents the difference between the value of the Authority’s pension fund assets as at the 31 March 2017 and the estimated present value of the future pension

payments. The Authority recognises a reserve for the estimated net pension liability. Therefore, amounts included in the Authority's financial statement in relation to post-employment benefits have no effect on the General Fund balance.

Investments

At 31 March 2017 the Authority held investments including accrued interest of £7.510m. During the reporting period, the Authority has placed new short term investments of £18.366m of which £14.366m relates to cash equivalents and has realised cash from the maturity of short term investments of £16.561m of which £13.561m related to cash equivalents.

