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| Report to               | <b>Policy &amp; Resources Committee</b>                                   |
| Date                    | <b>19 July 2018</b>   |
| By                      | <b>Chief Finance Officer</b>  |
| <b>(Note / Approve)</b> | <b>Audited Statement of Accounts 2017/18 and Letter of Representation</b> |

**Recommendation: The Committee is recommended to:**

- 1) Note the Commentary on the Statement of Accounts set out in Appendix 1;**
- 2) Approve the audited Statement of Accounts 2017/18 as set out in Appendix 2;**
- 3) Approve the Letter of Representation as set out in Appendix 3;**
- 4) Note the finding of the external auditor in their Audit Results Report elsewhere on this agenda.**

**1. Introduction**

- 1.1 This report provides information about the preparation and audit of the Authority's 2017/18 Statement of Accounts and recommends approval of the 2017/18 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.
- 1.2 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.
- 1.3 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 31 July.

**2. Policy Context**

- 2.1 There are no direct policy implications within this report. The financial statements publically report and demonstrate how the authority has deployed its resources during the financial year.

**3. Issues for consideration**

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 2017/18 is included in **Appendix I** of this report.

- 3.2 The audited Statement of Accounts 2017/18 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:
- Comprehensive Income and Expenditure Statements (CIES);
  - Movement in Reserves Statement (MiRS);
  - Balance Sheet;
  - Cash Flow Statement;
  - Other Notes to the Financial Statements;
  - Statement of Accounting Policies.
- 3.5 The Expenditure and Funding Analysis (EFA) is a note to the financial statements, however, it is positioned with the core financial statements as it demonstrates how funding available to the Authority for the year has been used in providing services as specified by the Authority's management reporting structure.

#### Preparation of the Statement of Accounts

- 3.6 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 2017/18 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and covers the period 1 April 2017 to 31 March 2018. There has been no deviation from the requirements of the Code and all accounting policies adopted by the Authority for the 2017/18 Statement of Accounts are in line with the requirements of the Code.
- 3.7 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.
- 3.8 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.
- 3.9 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.
- 3.10 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.

- 3.11 The Authority has made one change to its accounting policies during 2017/18. The Accounting Concepts accounting policy has been updated for provisions in the Code on the going concern accounting requirements to reflect the economic and statutory environment in which National Park Authorities operate.

Audit of the Statement of Accounts

- 3.12 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 2017/18 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.
- 3.13 EY have conducted their audit of the Statement of Accounts and have recommended that two related party 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.
- 3.14 The Audit Results Report for 2017/18 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 no specific recommendations detailed in the ARR which require implementation for 2018/19.
- 3.15 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.

Public Inspection of Accounts

- 3.16 The period for public inspection was 1 June 2018 to 12 July 2018. 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 was still open on the production of this report.
- 3.17 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 2017/18 and Letter of Representation is therefore subject to no formal objections being lodged as part of the Public Inspection process.

**4. Options & cost implications**

- 4.1 The Statement of Accounts represents the final outturn position of the Authority for the 2017/18 financial year. There has been no change from the provisional outturn position and contributions to reserves approved by this Committee in May 2018.

**5. Next steps**

- 5.1 There are no further Committee decisions required relating to the report.

**6. Other Implications**

| Implication | Yes*/No |
|-------------|---------|
|-------------|---------|

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| 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 2018.  |
| 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  |
| Have you taken regard 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 Data Protection implications?   | No  |
| Are there any Sustainability implications based on the 5 principles set out in the SDNPA Sustainability Strategy            | No  |

## 7. Risks Associated with the Proposed Decision

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

### **NIGEL MANVELL**

**Chief Finance Officer**

**South Downs National Park Authority**

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| Appendices           | <ol style="list-style-type: none"> <li>1. Commentary on the Statement of Accounts 2017/18</li> <li>2. Statement of Accounts 2017/18 (Stand Alone)</li> <li>3. Letter of Representation</li> </ol> |
| SDNPA Consultees     | Chief Executive; Director of Countryside Policy and Management; Director of Planning; Chief Finance Officer; Monitoring Officer; Legal Services, Business Service Manager                         |
| External Consultees  | None  |
| Background Documents | None  |

### Commentary on the Statement of Accounts

#### Revenue Income and Expenditure

The Authority reports its financial performance across four service areas, known as “operating segments. In 2017/18 the Authority spent £12.284m on services, which was £0.204m lower than that spent in 2016/17.

In 2017/18 the Authority received revenue income of £12.645m; this was £0.245m greater than that received in 2016/17. The income relates to various sources such as government grants and contributions (£10.783m); fees, charges and other service income (£1.797m); and interest receivable (£0.065m).

For the 2017/18 financial year, the Authority reported an outturn variance of £0.486m below the approved budget.

#### Capital Summary

In 2017/18, the Authority invested £0.061m on capital assets compared with a revised capital budget £0.061m, with £0.040m being funded from capital receipts and £0.021m funded by a revenue contribution to capital expenditure.

#### 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 increased in the financial year by £0.184m from the level reported in 2016/17 to £2.000m in 2017/18.

#### Debtors

At 31 March 2018, £0.919m was owed to the Authority by debtors over the short term (i.e. 12 months). The level of short term debtors has increased during the financial year by £0.025m. The Authority does not have any long term debtors.

#### Creditors

At 31 March 2018, the Authority owed £4.116m to short term creditors, of which £2.747m relates to Section 106 receipts. The level of short term creditors has decreased during the financial by £0.003m.

#### 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 below budget variance of £0.486m in 2017/18 was consolidated into the Authority’s General Fund which was £1.080m at 31 March 2018. The 2017/18 budget variance of £0.486m has since been allocated to earmarked reserves following approved by Policy and Resources Committee in May 2018.

In addition to the above, the Authority also held earmarked reserves of £4.039m as at 31 March 2018.

The Authority has also set aside amounts in provisions for specific future liabilities. The level of provisions held as at 31 March 2018 was £0.062m, a decrease of £0.106m; this decrease is in respect of £0.107m being used or reversed during the year to meet obligations relating to two now resolved planning appeals and challenges. Provisions are held where the exact value and timing of costs are uncertain as at 31 March 2018 but reliable estimates can be made.

#### Pension Liabilities

The Authority’s net liability for future pension payments, as estimated by the pension actuary, has decreased in the financial year by £0.130m from the level reported as at 31 March 2017 to £1.053m as at 31 March 2018. The overall liability represents the difference between the value of the Authority’s pension fund assets as at the 31 March 2018 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 2018 the Authority held investments including accrued interest of £8.473m during the reporting period, the Authority has placed new short term investments of £24.854m of which £18.354m relates to cash equivalents and has realised cash from the maturity of short term investments of £23.871m of which £18.871m related to cash equivalents.