



South Downs
National Park Authority

Agenda Item 10
Report 19/20-02

Report to	Policy & Resources Committee
Date	18 July 2019
By	Chief Finance Officer
Title of Report Note	Statement of Accounts 2018/19 and Letter of Representation

Recommendation: The Committee is recommended to:

- 1) Note the Commentary on the Statement of Accounts set out in Appendix 1;**
- 2) Note the current position with regard to the Statement of Accounts 2018/19 as set out in Appendix 2, and note these will be subject to changes following the completion of the external audit work**
- 3) Approve the Letter of Representation as set out in Appendix 3, 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.**

1. Introduction

- 1.1 This report provides information about the preparation and audit of the Authority's 2018/19 Statement of Accounts under the Committee's terms of reference, the Policy & Resources Committee is charged with the responsibility of approving the annual Statement of Accounts.
- 1.2 Members are advised that the external auditors have substantially completed their audit of the Statement of Accounts on the production of this report. The Statement of Accounts at Appendix 2 is therefore subject to completion of outstanding audit tasks as detailed elsewhere on this agenda.
- 1.3 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.
- 1.4 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 2018/19 is included in **Appendix I** of this report.

3.2 The draft Statement of Accounts 2018/19 is included in **Appendix 2** of this report. The Statement of Accounts as presented are subject to completion of outstanding audit tasks as detailed elsewhere on this agenda. 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.

The Expenditure and Funding Analysis (EFA) is a note to the financial statements which 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. The EFA has previously been positioned with the core financial statements, but has been moved to the other notes to the financial statements section to reflect suggested format in accordance with regulatory guidance.

Preparation of the Statement of Accounts

- 3.5 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 2018/19 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and covers the period 1 April 2018 to 31 March 2019. There has been no deviation from the requirements of the Code and all accounting policies adopted by the Authority for the 2018/19 Statement of Accounts are in line with the requirements of the Code.
- 3.6 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.
- 3.7 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.
- 3.8 The Authority has made two changes to its accounting policies during 2018/19, which are disclosed in note 1 to the financial statements.
- 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.

Audit of the Statement of Accounts

- 3.11 The purpose of the work of external auditors is designed to:
- express an opinion on the 2018/19 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.
- 3.12 Members are advised that the external auditors have substantially completed their audit of the Statement of Accounts on the production of this report. . The only outstanding work which could require modification to their audit opinion or a material change to the financial statements relates to work on the net pension liability of the Authority. Grant Thornton have concluded that all other information to be published with the financial statements is consistent with their knowledge of the Authority.
- 3.13 To date, as part of the external review of accounts, Grant Thornton have recommended that 3 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. Grant Thornton will be presenting their findings to this Committee through the Audit Results Report (ARR) elsewhere on this agenda.
- 3.14 The Audit Results Report for 2018/19 states that Grant Thornton expect their anticipated unqualified audit opinion will be unmodified and that the Authority has proper arrangements in place to secure value for money in its use of resources. There are 5 specific

recommendations detailed in the Audit Results Report which require implementation for 2019/20.

- 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 2019 to 12 July 2019. 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 2018/19 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 2018/19 financial year of £0.385m below budget variance. There has been a £0.016m change from the £0.369m below budget variance provisional outturn position and contributions to reserves approved by the South Downs National Park Authority (NPA) in July 2019 following a corrected disclosure misstatement.

5. Next steps

- 5.1 As the audit of the accounts is not yet complete a further decision will be required by the Committee to approve the audited Statement of Accounts by the 31 July.

6. Other Implications

Implication	Yes*/No
Will further decisions be required by another committee/full authority?	Yes. See section 5.1 to the main body of the report.
Does the proposal raise any Resource implications?	Associated resource decisions including agreement of budget carry forwards and reserves were made by the NPA in July 2019. The increased below budget outturn position will result in an increased contribution to the Authority's reserves balance.
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	Yes. No implications arising directly from this report. The preparation, publication and audit of the Authority's accounts are undertaken in line with the responsibilities and processes set out in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015. Copies of the accounts and

Equality Act 2010?	associated document are available to all upon request and available in alternative formats if requested.
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.

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Appendices
1. Commentary on the Statement of Accounts 2018/19
2. Statement of Accounts 2018/19 (draft)
3. Letter of Representation

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 2018/19 the Authority spent £13.334m on services, which was £1.050m greater than that spent in 2017/18.

In 2018/19 the Authority received revenue income of £14.875m; this was £2.230m greater than that received in 2017/18. The income relates to various sources such as government grants and contributions (£10.747m); fees, charges and other service income (£4.036m); and interest receivable (£0.092m). The large increase in income can mainly be explained by income received from the Community Infrastructure Levy (CIL) of £1.989m (£0.198m in 2017/18).

For the 2018/19 financial year, the accounts report the Authority’s outturn variance of £0.385m below the approved budget.

Capital Summary

In 2018/19, the Authority invested £0.130m on capital assets compared with a revised capital budget £0.131m, with £0.020m being funded from capital reserves and £0.110m funded by a revenue contributions 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 £0.078m from the level reported in 2017/18 to £2.078m in 2018/19.

Debtors

At 31 March 2019, £1.651m 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 £0.602m. The increase can mainly be explained by debtor’s balances totaling £0.916m relating to CIL income (£0.000m in 2017/18) where chargeable developments have commenced and payments plan are in place. The Authority does not have any long term debtors.

Creditors

At 31 March 2019, the Authority owed £4.862m to short term creditors. The level of short term creditors has increased during the financial by £0.746m. The short term creditor value includes £3.077m (£2.747m in 2017/18) of Section 106 receipts. Other significant increases relate to various large one-off projects creditors, delegated contract amounts payable and a change in accounting for accumulated absences.

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 £0.385m in 2018/19 was consolidated into the Authority’s General Fund which was £0.980m at 31 March 2019.

In addition to the above, the Authority also held earmarked reserves of £4.759m as at 31 March 2019.

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The Authority sets aside amounts in provisions for specific future liabilities of uncertain timing or amount. The Authority did not hold any provisions as at 31 March 2019, a decrease of £0.062m; this decrease is in respect the accumulated absences (e.g. annual leave and flexi leave) that are carried forward for use in future periods. The entire previous year's provision was utilised in year however no additional provision was made in 2018/19 due to a change in accounting treatment. Instead an accrual was made which is still classed as a current liability on the balance sheet under short term creditors.

Pension Liabilities

The Authority's net liability for future pension payments, as estimated by the pension actuary, has increased in the financial year by £1.826m from the level reported as at 31 March 2018 to £2.879m as 31 March 2019. 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. Note that the Authority's net pension liability was still subject to outstanding work of the external auditor on production of this report.

Investments

At 31 March 2019 the Authority held investments including accrued interest of £10.670m during the reporting period, the Authority has placed new short term investments of £21.819m of which £14.819m relates to cash equivalents and has realised cash from the maturity of short term investments of £19.636m of which £16.136m related to cash equivalents.