

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Christine Marshall – Executive Director - Commercialisation

To: Governance and Audit Committee – 6 June 2019

(Author: Ellie Stacey – Financial Control Manager)

Subject Unaudited Financial Statements 2018/19 including Narrative Report and Annual Governance Statement

Purpose: To present the unaudited Financial Statements 2018/19 including Annual Governance Statement for members’ consideration, prior to formal approval by the Executive Director of Commercialisation

Recommendation(s):

- 1) That, as part of its governance role, the Committee considers the unaudited Financial Statements 2018/19
- 2) That the Committee reviews and considers the draft Annual Governance Statement, included within the unaudited Financial Statements 2018/19

1.0 BACKGROUND

- 1.1 The Accounts and Audit Regulations 2015 require that the Responsible Financial Officer signs the unaudited Financial Statements no later than 31 May; and the Financial Statements be considered and approved by a committee of the Council no later than 31 July.
- 1.2 As part of the Governance role and in line with good practice, this report presents the unaudited Financial Statements to the Committee to enable comments and challenge, and to highlight any key areas.
- 1.3 The Financial Statements production process is complete, and included in Appendix A is the unaudited version of the 2018/19 Financial Statements (this includes the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Cash Flow Statement and Balance Sheet as at 31 March 2019).
- 1.4 The unaudited Financial Statements include the draft Annual Governance Statement, which the Committee is asked to review. The Annual Governance Statement explains how the Council has complied with the Code of Practice, and also meets the requirements of the Accounts and Audit Regulations in relation to completing an annual review of the effectiveness of the Councils system of internal control. The Annual Governance Statement has been updated to reflect various changes, such as areas highlighted in the internal audit annual report and opinion, and a review of significant governance issues.

The Governance and Audit Committee are requested to review the Annual Governance Statement (included in Appendix A) to ensure it reflects the reports that have been considered over the past year (including at today’s meeting) and that it supports their

general understanding of the Council's governance arrangements. Once agreed by the Committee the Statement will be presented to the Leader and Chief Executive for formal sign off.

1.5 The timescales involved with the approval, inspection and audit of the Council's Financial Statements for 2018/19 are:

- Executive Director (Commercialisation) signs Statements 31 May 2019
- Accounts available for public inspection from 31 May 2019
- Unaudited Financial Statements to Committee 6 June 2019
- Audit by Ernst and Young commences July 2019 (date TBC)
- Financial Statements approved by Committee 25 July 2019
- Auditor's opinion on Statements issued by 31 July 2019

1.6 The Accounts have been prepared in accordance with the Code of Practice and the Council's accounting policies, which were brought to the Committee in March 2019.

1.7 The net worth of the Council, as shown in the Balance Sheet, increased by £2.673m and this is also reflected in the Comprehensive Income and Expenditure Statement. The major changes in the Balance Sheet at the year end, considered significant enough to warrant specific reference, are:

- Long term investments have increased by just over £1.6m as a result of the increases in fair value of the investments in South Holland Homes and Welland Homes.
- Long term debtors has increased by £1.4m, mainly due to the loan granted to Welland Homes.
- Long term liabilities has increased by £3.865m, due to the Actuary's assessment of the Council's net pension liability, as the increase in asset value was less than the increase in liabilities as a result of changes in financial assumptions.
- Usable reserves have increased by £4.719m, mainly due to the surplus on the HRA and General Fund in year, which were transferred to the HRA reserve and Council Tax Reserve respectively.

1.8 The capital outturn will be reported to Cabinet on 18 June 2019. In summary, the final programme budget was £12.9m excluding S106 contributions, of which £8.6m was spent, £0.9m was released due to project completion and £3.7m was proposed to be moved to 2019/20 for spend on projects in progress or moved to next year.

1.9 The revenue outturn will also be reported to Cabinet on 18 June 2019, the major highlights were:

- General Fund service budgets delivered below budget spend of £50k;
- A further favourable variance of £582k was also achieved, which mainly relates to Business Rates;
- HRA service budgets delivered below budget spend of £684k, which resulted in an increase in the HRA reserve of £3,823k.

1.10 Our Council Tax collection rate was 97.83% and our Business Rates (NNDR) collection rate was 98.29%. The Council Tax collection fund has a surplus of £880k, of which SHDC's £107k share will be shown in future years budgets. The Business Rates collection fund has a surplus of £853k, of which SHDC's £521k share will also be shown in future years budgets.

1.11 This is the first year of Ernst and Young being the appointed auditor, following a national procurement exercise. Officers continue to work closely with the auditors to ensure that the audit process is undertaken effectively.

2.0 **OPTIONS**

2.1 Note the report and the unaudited Financial Statements (Appendix A).

3.0 **REASONS FOR RECOMMENDATION(S)**

3.1 The report and appendix are for information and consultation; no approvals are required at this stage.

4.0 **EXPECTED BENEFITS**

4.1 The Audit Committee are able to demonstrate that best practice is followed and that they are proactive in financial management matters of the Authority.

4.2 To enable any key issues to be discussed and clarified as necessary

5.0 **IMPLICATIONS**

5.1 **Constitution & Legal**

5.1.1 Accounts and Audit Regulations 2015.

5.2 **Financial**

5.2.1 This appendix is of a financial nature and therefore finance is included.

5.3 **Risk Management**

5.3.1 Risks are included in the Financial Statements as required.

6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 N/A.

7.0 **ACRONYMS**

7.1 N/A

Background papers:- None

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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A Unaudited Financial Statements 2018/19 (including the Narrative Report and draft Annual Governance Statement)