

## PLYMOUTH CITY COUNCIL

**Subject:** Statement of Accounts 2017/18  
**Committee:** Audit Committee  
**Date:** 30 July 2018  
**Cabinet Member:** Councillor Lowry  
**CMT Member:** Andrew Hardingham, Interim Strategic Director for Transformation and Change  
**Author:** Carolyn Haynes (Financial Controller)  
**Contact details** Tel: 01752 398927  
email: [carolyn.haynes@plymouth.gov.uk](mailto:carolyn.haynes@plymouth.gov.uk)  
**Ref:** FIN/CH  
**Key Decision:** No  
**Part:** I

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### **Purpose of the report:**

The Council's draft Statutory Statement of Accounts for year ending 31 March 2018 was prepared and approved ready for our external auditors by the Interim Joint Strategic Director for Transformation and Change on 31 May 2018.

The Accounts have now been audited and are being presented to Audit Committee for approval. The Accounts and Audit Regulations require the accounts to be formally approved and published on or before 31 July 2018.

Issues raised by the auditor are outlined in the report, including a summary of the changes made since the draft accounts were produced. The revised Statement of Accounts for 2017/18 is attached at Appendix A. This might be subject to minor changes to wording and the changes will be highlighted at the committee meeting.

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### **The Corporate Plan 2018/19 – 2021/22:**

The Council's expenditure forms the basis on which the Corporate Plan can be delivered.

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### **Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land**

The 2017/18 final accounts will have implications on the Medium Term Financial Plan. The level of Working Balance and reserves will affect the level of funding available in future years and variations in service expenditure will also need to be reviewed to assess the effects on future years.

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### **Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:**

N/A.

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## Equality and Diversity

Has an Equality Impact Assessment been undertaken? Not for this report as this is a statement of actual spend rather than new allocations which could impact on equality and/or diversity.

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## Recommendations and Reasons for recommended action:

That the Audit Committee:

1. Note the amendments made to the Statement of Accounts for 2017/18 as agreed with the Auditor, and outlined in this report.
  2. Approve The Statement of Accounts for 2017/18 as attached at Appendix A.
  3. The Letter of Representation attached at Appendix B is authorised and submitted to the Auditor.
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## Alternative options considered and rejected:

None – It is a statutory requirement to produce and approve the Statement of Accounts.

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## Published work / information:

[Statement of Accounts 2017/18 Report to May 2018 Audit Committee](#)

[Draft \(Pre Audit\) Statement of Accounts 2017/18](#)

[Annual Governance Statement 2017/18](#)

[Financial Outturn 2017/18 Report](#)

## Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7
Not applicable									

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## Sign off:

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Originating SMT Member – Andrew Hardingham													

Has the Cabinet Member(s) agreed the contents of the report? Yes

## **Statement of Accounts 2017/18**

### **1. Introduction**

- 1.1 The draft Statement of Accounts 2017/18 were approved by the Interim Strategic Director for Transformation and Change on 31 May 2018. The formal audit commenced on 29 May 2018. The External Auditor's Audit Findings Report (ISA 260 Report), including the outcome on the annual accounts audit and an action plan addressing key audit issues, is being presented to this meeting. The Accounts and Audit Regulations require the Statement of Accounts to be approved by the Council by 31 July 2018. For Plymouth, this responsibility has been delegated to the Audit Committee.
- 1.2 The Statement of Accounts for 2017/18 is attached at Appendix A.
- 1.3 The Annual Governance Statement for 2017/18 was considered and formally approved by Members at the 31 May Audit Committee.
- 1.4 The Council is also required to identify and report on any post balance sheet events that have occurred since 31 March 2018. The Statement of Accounts should therefore include [reference to] all relevant post balance sheet events up to and including the 31 July 2018.
- 1.5 As part of the final audit requirement, and prior to the issue of the audit certificate, the Council is required to complete and sign a formal letter of representation and submit this to the auditor. This letter may be signed by the Interim Strategic Director for Transformation and Change and the Chair of Audit Committee and is attached at Appendix B.
- 1.6 The Accounts have been produced in line with the relevant CIPFA Codes of Practice for 2017/18. The auditor has outlined in the ISA 260 report being presented to this Committee that he is satisfied that the Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting 2017/18 (The Code).
- 1.7 This is the first year where we were required to meet the new deadlines for publishing the draft Statement of Accounts for external audit by the 31 May and approval following audit by 31 July.

### **2. The 2017/18 Codes of Practice**

The main Code of Practice relevant to the production of the Statement of Accounts which CIPFA publish on an annual basis is the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

- 2.1 The Code is based on approved standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Committee (IFRIC) except where these are inconsistent with specific statutory requirements.
- 2.2 CIPFA and CIPFA/LASAAC consulted widely on the 2017/18 code in preparation for the changes, particularly the Telling the Story consultation in the summer of 2015. CIPFA also engaged a working group to consider a wide range of proposals for change. Following feedback from consultations from local authority accounts preparers and the work of the Working Group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.

The changes to the 2017/18 Code therefore have two main strands:

- Amendments to introduce key reporting principles for the Narrative Report
- Clarification on the reporting requirements for accounting policies and going concern reporting

### **3. Issues arising since publication of the 2017/18 draft Accounts**

3.1 The following paragraphs outline the relevant issues that have arisen since the publication of the draft Accounts in June.

#### **3.2 Post Balance Sheet Events (PBSE)**

3.2.1 Although the Statement of Accounts shows the financial outturn position for 2017/18 and Balance Sheet position as at 31 March 2018, the Council is required to report material events occurring after 31 March 2018.

3.2.2 Since the year ending 31 March 2018 the Council has purchased two material capital assets in Plymouth these are Derry's Cross Leisure Complex and Ballard House PBSE Note 6 (page 38).

#### **3.3 Agreed Audit Amendments**

3.3.1 The auditor's report identified one material misstatements which has been adjusted for, this relates to the reclassification of grants received in advance of £54.798 million being moved from short term to long term liabilities (see note 29.1 Capital Grant Receipts in Advance – Long Term Liabilities on page 77). This has nil effect on the provision of services. There are three unadjusted audit differences which have been reported in the BDO ISA260 report. In terms of amendments to disclosure notes, there were a few issues which came to light during the audit which have now been added to the Statement of Accounts.

3.3.2 Further details on the above amendments are reported in the External Auditor's report also on this agenda.

In addition, there have been a small number of grammatical and punctuation corrections to the document identified by both Officers and the Auditor, including the insertion of additional wording to provide clearer explanation of the accounts.

### **4. Statement of Accounts 2017/18**

4.1 The Council's outturn position was reported to Cabinet on the 5<sup>th</sup> June 2018. This showed a breakeven position after the application of reserves, and other funds held on the balance sheet.

4.2 The General Fund Balances as at 31 March 2018 is £9.168m. This represents 5% of the net revenue budget which remains at the 5% recommended minimum approved within the Medium Term Financial Strategy.

4.3 The Balance Sheet shows our assets, liabilities and reserves. The reserves are split in to usable and unusable reserves. The unusable reserves are not available to the council but are part of technical accounting requirements.

4.4 The main movements on the Balance Sheet between 31 March 2017 and 31 March 2018 are summarised below:

#### 4.4.1 Non-current Assets

- Property, Plant and Equipment has increased by £33.014 million partly due to the revaluation of a number of assets and also due to the addition of assets through the capital programme
- Investment Property has increased by £39.526 million due to the Council's Asset Investment fund. The Council's Capital Programme includes the provision for the purchase of Investment Properties. Investing more in these types of properties allows the Council to deliver wider benefits to the residents and economy of Plymouth.
- Long Term Investments have increased by £5.772 million reflecting a movement from short to long term investment on the advice of the Council's Treasury Management consultants Arlingclose

#### 4.4.2 Current Assets

- Short Term Debtors have increased by £18.480 million due to a variety of reasons:
  - Increase in commercial rent invoices
  - Various central government grants outstanding
  - Capital debtors for a variety of capital schemes
  - PCC's share of Tamar Bridge debtors
- Cash and Cash Equivalents have increased by £12.079 million due to the fact that we were holding cash at year end ready to purchase property at the beginning of April. The property investment is mentioned in the note 3.2 of this report regarding Post Balance Sheet Events.

#### 4.4.3 Current Liabilities

- Short Term Borrowing has increased by £56.948 million. This is to finance the Capital Programme in accordance with the 2017/18 approved budget and TM Strategy..
- Short Term Creditors have increased by £11.177 million for the following reasons:
  - Capital Grants received in advance from the Department of Transport and the Ministry of Housing, Communities and Local Government
  - Outstanding payment to HMRC
  - Increase in revenue grants received in advance
  - Increase in the short term creditor for the NHS and for the Devon Pension Scheme
  - Capital creditor accruals have increased in line with the increase in capital expenditure

#### 4.4.4 Long Term Liabilities

- Long Term Creditors have increased by £14.263 million. This is mainly due to a movement in the Long Term Capital Grant Receipts in Advance which include grants from the Heritage Lottery Fund for The Box, Growth Deal funding for the Derriford Transport Scheme and Homes England for city redevelopment.
- Long Term Provisions have increased by £4.806 million which relates to an increase in the provision for business rate appeals and landfill site provision

- Long Term Borrowing has increased by £19.970 million. Some of this increase relates to additional funding for the Tamar Bridge and Torpoint Ferry Capital Programme and increases to our own Capital Programme.
- Long Term Liabilities Pensions have reduced by £36.453 million. The Council's net liability has reduced due to a reduction in the present value of the defined benefit and an increase in the fair value of the plan assets. Further detailed explanation on this movement is contained within note 34 of the Statement of Accounts.

## **5. Looking to the year ahead - Issues for the 2018/19 Statement of Accounts**

- 5.1 This was our third and final year working with BDO and the external audit process has continued to improve. The draft Statement of Accounts were produced one week prior to the statutory deadline of the 31 May 2018.
- 5.2 There are some challenging changes to the Code of Practice in 2018/19 and we will work with the new auditors Grant Thornton (GTUK) to incorporate these changes into the Statement of Accounts for 2018/19.
- 5.3 The 2018/19 edition of the Code introduces new, or amended, accounting standards or reporting requirements in a number of areas including:
- IFRS 9 Financial Instruments.
  - IFRS 15 Revenue from Contracts with Customers.
  - Amendments to IAS12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
  - Amendments to IAS7 Statement of Cash Flows: Disclosure Initiative

As well as changes to the Codes of Practice, Officers will also be considering other documentation published by CIPFA which will have an impact on either 2018/19 or future years' accounts.

- 5.4 A detailed closedown plan has been prepared and continuously worked on since last September. We will also ensure that any improvements identified as part of this year's closedown process will be incorporated into the closedown plan for 2018/19.

We will work closely with Grant Thornton during 2018/19 to identify what testing can be brought forward to the interim audit in January. This is of particular importance due to the statutory changes and earlier deadlines which were introduced for the 2017/18 audit process.