

**To:** Audit and Governance Committee  
**Date:** 25 July 2018  
**Report of:** Head of Financial Services  
**Title of Report:** Statement of Accounts for the Year Ending 31<sup>st</sup> March 2018

## Summary and Recommendations

**Purpose of report:** To submit the Council's Statement of Accounts and Letter of Representation for approval and authorisation.

**Key Decision** No

**Executive lead member** Councillor Ed Turner

**Policy Framework:** Efficient and Effective Council

**Recommendation(s):** That the Committee:

- a) Approve the audited 2017/18 Statement of Accounts as certified by the Head of Financial Services and authorise the Chair of the Committee to sign the Accounts
- b) Approve the Letter of Representation to enable the opinion to be issued (paragraph 24)

## Appendices

**Appendix A –Statement of Accounts 2017/18**

**Appendix B – Letter of Representation**

## Background

1. The Statement of Accounts for 2017/18 (the Statements) are attached at Appendix A. The Accounts and Audit Regulations 2015 which revoke and replace the 2011 Regulations invoke earlier dates for the preparation, approval and publication of the Statements. Accounts now have to be completed and published in draft form by 31<sup>st</sup> May and audited, approved and published by 31<sup>st</sup> July.
2. On the 31<sup>st</sup> May 2018 the draft Statements were certified by the 'Responsible Officer', the Head of Financial Services as a true and fair view of the financial

position of the authority at the 31st March 2018. The accounts were duly authorised to be released for audit.

3. Following audit by Ernst and Young the Statements have been re-certified by the Head of Financial Services and re-presented to this Audit and Governance Committee for final approval, prior to the 31<sup>st</sup> July deadline in accordance with the regulations.
4. The 2017/18 audit is complete with some specific matters outstanding as reported in the Audit Results Report elsewhere on this agenda but it is anticipated that all matters will be complete by the date of the Audit Committee so that the accounts can be signed off.
5. The auditors made some recommended changes, in line with the Code of Practice, which have been incorporated into the final version of the Statements and have also issued a draft report on the outcome of the audit. This report appears elsewhere on the meeting agenda.
6. The auditors are expected to issue an unqualified opinion on the financial statements.

### **Uncorrected Misstatements**

7. The Auditors have identified a difference between the estimated closing assets allocated to the Council used by the Council's actuary of £277.0m and the actual investment return for 2017/18 of £278.6m. The Council's share of this difference is £1.6m. This has not been corrected because the actuary confirms that the figure queried does not impact on the IAS19 calculations due to the asset figures starting from the position at 01 April 2017 which has already been calculated by rolling forward from the last valuation figures from 31 March 2016. The Council believes that the effects of the unadjusted audit difference relating to the IAS 19 assessment of the Council's share of the Oxfordshire pension fund, detailed in the External Auditor's Audit Results Report, is immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole.

### **Changes to the Statements**

8. During the audit the external auditors identified a number of changes to the accounts which the Council have made. These changes do not have any material impact on the Council's overall financial position as they relate to disclosure notes, Balance Sheet items or items which are reversed out of the Comprehensive Income and Expenditure Statement (CIES) under normal accounting practice.
9. The Statements attached at Appendix 1 include the adjustments that have been agreed and made as a consequence of the audit. The changes included are:
  - An adjustment to HRA rent debtors of £583k relating to a historic imbalance that has now been written off to revenue in agreement with the auditors. This also reduced the rental income in the HRA for the year and was then funded through a contribution from HRA earmarked reserves.
  - An additional accrual of £1.93 million relating to Community Infrastructure Levy (CIL) grant income due. The developers had been billed by Planning in

accordance with CIL regulations rather than in line with accounting rules. The process for recording and billing for this debt will be reviewed this financial year in advance of the closedown for 2018/19.

10. A verbal update will be given at Audit and Governance Committee if there are any subsequent changes that need to be made.

## **The Statements**

11. The Statement of Accounts consists of the following:

- The Statement of Responsibilities, setting out the general responsibilities of both the City Council, and the Section 151 Officer (The Head of Financial Services). The Head of Financial Services has to sign a statement that the Accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for that year then ended (page 6 and page 26).
- The Core Financial Statements (pages 21 to 27) and supplementary statements (pages 85 to 94) and group accounts (pages 97 to 113) incorporating:
  - a. A Movement in Reserves Statement (MIRS) - a statement used to adjust International Financial Reporting Standard accounting practice to Local Government proper practice to ensure the accounting changes do not impact on Council Tax and create any additional burden to the tax payer.
  - b. The Comprehensive Income and Expenditure Statement - a statement which incorporates all revenue income and expenditure relating to the year.
  - c. Expenditure and Funding Analysis - a statement that supports and provides more information on the Comprehensive Income and Expenditure Statement.
  - d. A Balance Sheet - which records all the assets and liabilities at the Balance Sheet date of 31 March.
  - e. A Cashflow Statement - a statement that shows the inflows and outflows of cash during the year reconciled to the year end cash position.
  - f. The Housing Revenue Account - a statement which brings together all transactions during the year in relation to the management and maintenance of the Council's 7,746 dwelling stock.
  - g. Collection Fund - a statement which brings together all transactions during the year relating to the collection of Business Rates and Council Tax income together with payments and receipts from Government and payments made to the preceptors; the County Council, Police and Crime Commissioner (Thames Valley) and Parish Councils.
  - h. Group Accounts - statements which reflect the Council's 50% interest with Grosvenor Developments Limited in a joint venture for the construction of dwellings at Barton, a 50% interest with Nuffield College in a joint venture for the regeneration of the West End area of Oxford, (OxWED) and the Council's wholly owned Housing Company Group, Oxford City Housing Ltd (OCHL). The Council's share of the assets and liabilities of these entities are required to be incorporated into the Council's accounts.
- The Statement of Accounting Policies, setting out the detailed rules under which we account for assets, liabilities, income and expenditure (pages 115 to 133).

## Summary of Information Found Within the Statements

12. Some Key information can be gained from the Statements:

### Comprehensive Income and Expenditure Statement (CI&E) (page 23)

13. There is a surplus of £72.1m compared to £55.7m in the previous year. However surplus is based on standard accounting practice and doesn't reflect the statutory basis under which the Council has to manage its finances. The actual position after applying the statutory adjustments is summarised on the Movement in Reserves Statement (page 25).

### Movement in Reserves Statement (MiRS) (page 25)

14. The MiRS shows the movement between the accounting position shown in the CI&E and the overall balances available to the Council to meet future capital and revenue expenditure. The adjustments are shown in more detail in note 8 (pages 37 to 41) which are made that result in the allocation of the surplus between usable and unusable reserves. Included in these transfers is the movement of the overall General Fund surplus for the year of £0.533 million which was transferred into earmarked reserves.

15. The overall balances available to the Council to meet future capital and revenue expenditure are shown below:

	2017/18 £'000	2016/17 £'000	Variation £'000
General Fund Balance	3,622	3,622	-
Earmarked General Fund Reserves	36,424	36,738	(314)
Housing Revenue Account Balance	4,000	4,000	-
Earmarked Housing Revenue Account Reserves	18,361	18,152	209
Major Repairs Reserve	-	-	-
Capital Receipts Reserve	7,917	5,907	2,010
Capital Grants Unapplied Reserve	14,356	5,732	8,624
<b>Total Usable Reserves</b>	<b>84,680</b>	<b>74,151</b>	<b>10,529</b>

16. More detail regarding the earmarked reserves can be seen in note 9 on pages 42 to 44.

### The Balance Sheet (page 26)

17. The Balance Sheet shows an increase in the net worth of the Council which can be summarised as below:

	2017/18 £'000	2016/17 £'000	Variation £'000
Value of Land and Property Owned	1,033,424	984,151	49,273
Cash Investments, Assets Held For Sale and Stock	89,873	79,110	10,763
Money the Council Owes	(411,303)	(422,731)	11,428
Money the Council is Owed	103,642	101,639	2,003
<b>Net Worth of Council at 31st March</b>	<b>815,636</b>	<b>742,169</b>	<b>73,467</b>

18. The main increase is relating to the value of non-current assets that the Council owns, predominantly land and buildings. This increase is an unrealised gain and will only become available to the Council if and when properties are sold. Further details of the non-current assets held can be found in notes 13 to 16 on pages 46 to 52.

19. The net worth is held in usable and unusable reserves:

	2017/18 £'000	2016/17 £'000	Variation £'000
Usable Reserves	(84,680)	(74,151)	(10,529)
Unusable Reserves	(730,956)	(668,018)	(62,938)
<b>Total Reserves</b>	<b>(815,636)</b>	<b>(742,169)</b>	<b>(73,467)</b>

20. Useable reserves are detailed above at paragraph 15 and more detail of unusable reserves can be found in note 27 on pages 64 to 68.

### Group accounts

21. The Council owned or had interests in 3 operational entities as at 31<sup>st</sup> March 2018:

- Oxford City Housing Limited (OCHL)
- Oxford West End Development Limited (OxWED)
- Barton Oxford LLP

The Council's share in these entities is shown below:

	OCHL 2017/18 £'000	OxWED 2017/18 £'000	Barton LLP 2017/18 £'000	Total 2017/18 £'000
Council's share of Net Assets	450	5,658	1,378	7,486
Capital classified as a liability	(1,054)	(6,600)	(1,171)	(8,825)
<b>Council's Share shown in the Group Accounts</b>	<b>(604)</b>	<b>(942)</b>	<b>207</b>	<b>(1,339)</b>
	OCHL 2016/17 £'000	OxWED 2016/17 £'000	Barton LLP 2016/17 £'000	Total 2016/17 £'000
Council's share of Net Assets	686	6,130	1,693	8,509
Capital classified as a liability	(743)	(6,600)	(1,113)	(8,456)
<b>Council's Share shown in the Group Accounts</b>	<b>(57)</b>	<b>(470)</b>	<b>580</b>	<b>53</b>

22. The Council's share as at 31<sup>st</sup> March 2018 was a net liability of £1.339 million compared to a net asset of £0.053 million on 31<sup>st</sup> March 2017. The key element of this net liability relates to interest owing to the Council on loans that the Council has made to the entities. More detail can be found on pages 100 to 113.

23. The Council has two additional wholly owned companies which became operational on 1<sup>st</sup> April 2018, Oxford Direct Services Limited and Oxford Direct Services Trading Limited. These two companies will be incorporated into the Council's Group accounts from 2018/19.

### **Letter of Representation**

24. Attached at Appendix 2 is a draft Letter of Representation which the Committee is asked to approve. This is a letter from the Council's Section 151 Officer setting out the processes and procedures the Council adopts to ensure that it is in compliance with its statutory requirements and that it has a sufficiently robust control framework to prevent and detect fraud and irregularities. Ernst and Young require this letter before they issue their opinion.

### **Financial Implications**

25. These are covered within the main body of the report.

### **Legal Implications**

26. In accordance with the Accounts and Audit Regulations 2015 the accounts must be audited, approved and published by 31<sup>st</sup> July 2018.

### **Risk Implications**

27. There are no risks associated with the recommendations in this report.

### **Communication**

28. The Council's accounts were subject to external audit by Ernst & Young LLP and within the period of audit, from Monday 12<sup>th</sup> June 2018 to Friday 21<sup>st</sup> July 2018 between 9.30am and 4.30pm any person may inspect the accounts of the Council for the year ended 31<sup>st</sup> March 2018 and certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts). They may also make copies of the accounts and documents. As has been noted in the audit report, the period of inspection should have included the first 10 working days of June. This will be rectified for next year.

29. During the same period a local government elector for the area of the Council or their representative may make an appointment to ask the auditor questions about the accounts. In addition they may object to the Council's accounts, asking that the auditor issue a report in the public interest or which is contrary to law (under section 28 of the Local Audit and Accountability Act 2014). Written notice of a proposed objection and the grounds on which it is made must be sent to the auditor at the address provided on the Council's website.

30. There were no objections lodged.

31. The Audited Statement of Accounts for 2017/18 will be published on the Council's website after approval along with a notice confirming the conclusion of the audit and alongside the Annual Governance Statement for the year.

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**Background papers: None**

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