

# Broads Authority

26 July 2019

Agenda item number 12

## Financial performance and direction – draft Statement of Accounts 2018/19

Report by Chief Financial Officer

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### Summary

This report provides an update on the Broads Authority's Statement of Accounts and its audit for the year ended 31 March 2019.

### Recommendation

To note the delayed audit for the reasons set out in paragraph 5.1, that the audited Statement of Accounts for 2018/19 and results will be brought back in due course once the audit has been completed.

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## 1. Introduction

- 1.1. This report was considered by Audit and Risk on 23 July 2019. A verbal update will be provided during the meeting.
- 1.2. Members will recall that the Financial Performance and Direction report to the Authority on 17 May 2019 provided the draft year end figures for 2018/19 which detailed a surplus of £84,760. These figures were then used to produce the draft Statement of Accounts which were signed and published on 30 May 2019.

- 1.3. The report went on to outline the timetable for the preparation of the Statement of Accounts and indicated that external audit (Ernst and Young LLP) would commence their onsite audit work week commencing 15 July 2019 with Audit and Risk committee reviewing their results on 23 July 2019.

## 2. Changes to the 2018/19 Accounts

- 2.1. There has been no significant changes to this year's accounts. Whilst the change to Financial Instruments will have had an impact on other authorities who hold complex investment and debt instruments the Authority only holds short fixed term investments and has only one loan with the Public Works Loan Board.
- 2.2. As with the 2017/18 Statement of Accounts the table below has been produced to help members understand the additional adjustments made at year end.

**Table 1**

Summary Income and Expenditure 2018/19

<b>Income and expenditure 2018/19</b>	<b>Operations (£)</b>	<b>Strategic Services (£)</b>	<b>Chief Executive (£)</b>	<b>HLF and CANAPE (£)</b>	<b>Corporate amounts (£)</b>	<b>Total (£)</b>
Fees charges and other service income	(245,921)	(441,383)	(30,185)	(567,317)	(3,396,348)	(4,681,154)
Contribution from reserves	0	0	0	0	(295,452)	(295,452)
Government Grants	0	0	0	0	(3,356,348)	(3,356,348)
<b>Total Income</b>	<b>(245,921)</b>	<b>(441,383)</b>	<b>(30,185)</b>	<b>(567,317)</b>	<b>(7,048,148)</b>	<b>(8,332,954)</b>
Employee expenses	2,054,687	1,742,820	422,569	170,752	78,444	4,469,272
Other service expenses	1,675,120	794,090	674,488	635,224	0	3,778,922
<b>Total expenditure</b>	<b>3,729,807</b>	<b>2,536,910</b>	<b>1,097,057</b>	<b>805,976</b>	<b>78,444</b>	<b>8,248,194</b>
<b>Net expenditure</b>	<b>3,483,886</b>	<b>2,095,527</b>	<b>1,066,872</b>	<b>238,659</b>	<b>(6,969,704)</b>	<b>(84,760)</b>

**Table 2**

## Summary Statement of Accounts adjustments

<b>Summary adjustments</b>	<b>Total (£)</b>
Net expenditure above	(84,760)
Amounts in the Comprehensive Income and Expenditure Statement (CIES) not reported to management in the analysis	970,699
Amounts included in analysis not in CIES	2,828,432
<b>Cost of Services in the CIES</b>	<b>3,714,371</b>

- 2.3. Items that are included in the amounts in the second line under Comprehensive Income and Expenditure Statement which are not reported to management include year end adjustments for the Pension scheme. The Accounts are adjusted to reflect the difference between the actual costs as assessed by the Actuary and the contributions paid over during the year. Further adjustments are also made for untaken staff leave, depreciation and movements on revaluations of fixed assets.
- 2.4. The main adjustments in the third line which is in the analysis above but not the Comprehensive Income and Expenditure Statement is the removal of the DEFRA grant, interest and investment income, interest payable and expenditure in relation to investment properties (Ludham Fieldbase). These items are added back in the lines under the cost of services. Further adjustments relate to the accounting treatment of capital expenditure, reserve expenditure and finance leases.
- 2.5. The table below analyses these adjustments in more detail and agrees back to the Comprehensive Income and Expenditure Statement on page 14 in the Statement of Accounts.

**Table 3**

## Detailed Statement of Accounts adjustments

<b>Income</b>	<b>Services analysis (£)</b>	<b>Not reported to management (£)</b>	<b>Not included in CIES (£)</b>	<b>Cost of services (£)</b>	<b>Other operating expenditure, financing and investment income and Government grant (£)</b>	<b>Deficit on provision of service (£)</b>
Fees, charges and other service income	(4,644,101)	0	0	(4,644,101)	0	(4,644,101)
Interest and investment income	(37,053)	0	37,053	0	(37,053)	(37,053)
Contribution from reserves	(295,452)	0	(197,949)	(493,401)	0	(493,401)
Government grants	(3,356,348)	0	3,356,348	0	(3,356,348)	(3,356,348)
<b>Total income</b>	<b>(8,332,954)</b>	<b>0</b>	<b>3,195,452</b>	<b>(5,137,502)</b>	<b>(3,393,401)</b>	<b>(8,530,903)</b>
Employee expenses	4,469,272	575,524	0	5,044,796	212,000	5,256,796
Other service expenses	3,778,922	0	(367,020)	3,411,902	0	3,411,902
Depreciation, amortisation and impairment	0	395,175	0	395,175	0	395,175
Interest payments	0	0	0	0	35,157	35,157

<b>Income</b>	<b>Services analysis (£)</b>	<b>Not reported to management (£)</b>	<b>Not included in CIES (£)</b>	<b>Cost of services (£)</b>	<b>Other operating expenditure, financing and investment income and Government grant (£)</b>	<b>Deficit on provision of service (£)</b>
Expenditure in relation to investment properties	0	0	0	0	(130,000)	(130,000)
Gain on disposal of fixed assets	0	0	0	0	(5,663)	(5,663)
<b>Total operating expenditure</b>	<b>8,248,194</b>	<b>970,699</b>	<b>(367,020)</b>	<b>8,851,873</b>	<b>111,494</b>	<b>8,963,367</b>
<b>Deficit on provision of services</b>	<b>(84,760)</b>	<b>970,699</b>	<b>2,828,432</b>	<b>3,714,371</b>	<b>(3,281,907)</b>	<b>432,464</b>

### 3. Balance sheet

- 3.1. This year the Balance Sheet has moved back to a net liability position of £2,394,000. The movement from a net asset position in 2017/18 to a net liability position is £2,479,000. The cause of this movement is the movement in the Pension Fund liability which has increased by £2,909,000 since 2017/18. The pension fluctuations are due to the increased changes in financial assumptions as calculated by the actuary. The fund also seeks to maintain contributions at a consistent rate to minimise the impact on the Authority's cash flows. The Authority makes additional contributions to the fund to reduce the deficit over the next 20 years. Funding levels are monitored on an annual basis whilst the contributions and the annual deficit payments are recalculated as part of triennial valuation. The result of the March 2019 are currently being calculated to determine contributions for April 2020 onwards. Additional information about the Pension Fund Assets and Liabilities can be found within the Statement of Accounts under Note 33.

- 3.2. The bottom section of the Balance Sheet on page 17 splits the reserves between useable and unusable reserves. This year's sees the introduction of the Capital Receipts Reserve within the useable reserves. This reserve has been created following the sale of the Fieldbase at Ludham, previously classified as Investment Property held for Sale. This can be used for future capital purchases or the repayment of debt. The other useable reserves can be used to fund future operating expenditure whilst the unusable reserves are kept to manage accounting processes such as unrealised gains or acquisitions of Fixed Assets and the movements on the Pension Reserve.
- 3.3. The closing position on the National Park (General), Navigation and Earmarked reserves remain at the same levels as reported on 17 May 2019. The individual balances that make up the Earmarked reserve can be found within the Statement of Accounts under note 10, page 38. The year end balances of the reserves are:
- National Park £1,064,171
  - Navigation £425,985
  - Earmarked £1,803,475 of which £733,033 relates to Navigation

## 4. Annual Governance Statement

- 4.1. The Accounts and Audit (England) Regulations 2015 contain a requirement that an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control, must be approved by the relevant body and must accompany the Statement of Accounts. The draft Annual Governance Statement will be considered under agenda item number 11.

## 5. Audit of the Statement of Accounts

- 5.1. The Authority's external auditors, Ernst & Young, have been unable to carry out the audit due to resource issues. The Accounts and Audit Regulations 2015, regulation 10, paragraph 2a, makes provision for such instance and the following statement will be placed on the website:

**Broads Authority**

Audit of Accounts: Year ended 31 March 2019

**Publication of statement of accounts, annual governance statement and narrative statement**

**The Accounts and Audit (England) Regulations 2015 – Regulation 10**

The external audit of the draft statement of accounts for the year ended 31 March 2019 has not yet been completed by our external auditors, EY LLP, due to EY's resourcing pressures. This situation is allowed for by Regulation 10, paragraph (2a)

of the Accounts and Audit Regulations 2015. (See attached link: <http://www.legislation.gov.uk/uksi/2015/234/regulation/10/made>).

Therefore, this notification explains, as per paragraph (2a), that we are not yet able to publish our audited 2018/19 final statement of accounts in line with deadline of 31<sup>st</sup> July 2019, as per paragraph (1). The Audit & Risk Committee will consider the results of the 2018/19 audit at its meeting on 19 November 2019, after which we will publish the final audited accounts.

- 5.2. Current indications are that the audit will be rescheduled for two weeks commencing 14 October 2019. A verbal update on this will be provided at the meeting.
- 5.3. At this stage it is known that the Pension figure included within the balance sheet and note 33 will change as a result of updated Actuary reports following the Pension Fund audit. This was completed after the draft statement of accounts was signed. It is also possible that the audit may result in other changes. Upon completion of their audit any changes required and the audit report will be signed and incorporated into the Statement of Accounts.

## 6. Financial implications

- 6.1. The Statement of Accounts for 2018/19 shows revenue reserves of £1,490,156 (general reserves £1,064,171, navigation reserves £425,985) that are considered to be adequate. The navigation reserve at the end of 2018/19 stands at 12.9% of net expenditure. This is higher than the Financial Strategy forecast for the end of 2018/19. With these taken alongside the earmarked reserve balances, the Authority's reserves are therefore considered to be sound. The outturn figures for 2018/19, and their implication for the overall level of reserves, will be taken into account in future budgeting proposals, and when making decisions about income and expenditure in 2019/20.

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Date of report: 15 July 2019

[Broads Plan](#) objectives: None

Appendix 1 – [Draft Statement of Accounts 2018/19](#) (excluding the Audit Report and Annual Governance Statement)