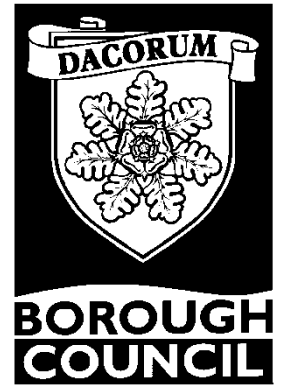


## AGENDA ITEM:

### SUMMARY



<b>Report for:</b>	<b>AUDIT COMMITTEE</b>
<b>Date of meeting:</b>	<b>18 July 2019</b>
<b>PART:</b>	<b>I</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Statement of Accounts 2018/19</b>
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources James Deane, Corporate Director (Finance and Operations) Nigel Howcutt, Assistant Director (Finance and Resources)
Purpose of report:	The purpose of this report is to present the Council's Statement of Accounts for 2018/19. It covers: <ul style="list-style-type: none"><li>· Account and Audit Regulations 2015</li><li>· Section 21(2) Local Government Act 2003</li><li>· Statement of Accounts</li><li>· Commentary on financial statements</li></ul>
Recommendations:	It is recommended that Members of the Audit Committee: <ul style="list-style-type: none"><li>a) review the Statement of Accounts 2018/19 (Appendix A) and raise any matters on which assurance is sought in order to approve the Statements on behalf of the Council;</li><li>b) subject to consideration of the External Auditor's Audit Findings Report, approve the Letter of Representation (Appendix B) in the capacity of those charged with Governance and;</li><li>c) subject to a) and b) above, approve the Statement of Accounts for 2018/19.</li></ul>
Corporate objectives:	Delivering an efficient and modern council.
Statutory Officer Comments:	<b>Section 151 Officer:</b> My comments are included within the body of this report and within the commentary and explanatory foreword to the Statement of Accounts.

	<p><b>Monitoring Officer:</b></p> <p>The Council has a statutory duty to approve the Statement of Accounts by 31st July in accordance with the Account and Audit Regulations 2015.</p>
Consultees:	None
Background papers:	Audit Findings Report 2018/19 Audit Committee July 2019.

## 1. Background

- 1.1 The purpose of this report is to present the final outturn and the final Statement of Accounts for 2018/19 for Members' approval.

## 2. Executive summary

- 2.1 The Account and Audit Regulations 2015 require that local authorities must approve their financial statements by 31 July. The appointed Auditor must complete their audit and issue the relevant audit opinion to ensure the statutory deadline is met. The Council's appointed Auditor is Grant Thornton UK LLP.

- 2.2 The purpose of the external audit of the financial statements is to give an opinion on:

- whether they present a "true and fair" view of the financial position of the audited body and its expenditure and income for the year in question; and
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

- 2.3 The Auditor's opinion is added to the Statement of Accounts, with further detail of the audit findings provided in the Audit Findings Report to the Council. The Audit Findings Report appears as a separate agenda item for Audit Committee on 18 July 2019.

- 2.4 The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting 2018/19 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

## 3. Statement of Accounts

- 3.1 It is the role of the Corporate Director (Finance and Operations) to present the Council's annual Statement of Accounts to this Committee for formal approval.

- 3.2 The published accounts of the Council are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. The Corporate Director (Finance and Operations), is required to:

- ensure the regularity of transactions, by putting in place systems of internal control to ensure that financial transactions are lawful;

- maintain proper accounting records; and
  - prepare financial statements that give a true and fair view of the financial position of the body and its expenditure and income.
- 3.3 The Statement of Accounts includes a Narrative Report which provides a user-friendly guide to the most significant matters reported in the accounts together with an overview of the Council's financial performance throughout the year.
- 3.4 The Council is required to submit a letter of representation to its appointed Auditor. This letter confirms the basis upon which the Council has produced its Statement of Accounts and how the Council has participated in the external audit process. This letter is contained at Appendix F to this report.

#### **4. Changes to the Draft Accounts Approved by the Corporate Director (Finance and Operations) on 31 May 2019**

4.1 The Council published its draft Statement of Accounts on 31 May 2019, in line with statutory deadlines. Since its publication, Council officers have agreed the following amendments to the Statement of Accounts with the appointed Auditor. These are:

- Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet (Net Pensions Liability). In order to reflect the impact of two judicial rulings expected to impact upon the Local Government Pension Scheme, relevant entries within the CIES have been increased by £668k, with a corresponding increase to the Council's net pension liability within the balance sheet.
- Financial Instruments disclosure note 37 to the accounts. This note has been amended to include cash and cash equivalents within financial asset disclosures. The figure disclosed for short-term debtors has been amended from £11.444m to £10.769m.
- Fair valuation disclosures- additional narrative has been provided in the accounts in relation to asset valuation techniques, in order to fully meet the requirements of the Code and to assist the readers of the accounts in their understanding.

4.2 The amendments detailed above are set out in the Audit Findings Report.

4.3 There have been no other material changes to the Statement of Accounts since the publication of the draft accounts on 31 May 2019.

#### **5. Expenditure and Funding Analysis**

5.1 The Expenditure and Funding Analysis shows how annual expenditure is used and funded from income (government grants, rents, council tax and business rates) in comparison with the income and expenditure in accordance with generally accepted accounting practices. It shows how this expenditure is allocated for decision making purposes between the Council's committee. Income and expenditure accounted for under generally accepted accounting practices is presented more fully detailed the Comprehensive Income and Expenditure Statement.

## **6. Comprehensive Income and Expenditure Statement**

- 6.1 The Comprehensive Income and Expenditure Statement (CIES) reports the net cost for the year of all functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
- 6.2 The CIES for 2018/19 reflects a net gain of £139.5m and consists of the following:
- Surplus on the Provision of Services of £14.8m (2017/18 surplus of £3.2m);
  - Other Comprehensive Income of £154.3m (2017/18 income of £58.7m).
- 6.3 The change in Surplus on the Provision of Services of £18.0m between years is due to:
- An increase in Total Cost of Services of £17.5m;
  - A reduction in Other Operating Expenditure of £4.2m;
  - A reduction in Financing and Investment Income and Expenditure of £0.1m;
  - A reduction in taxation and Non Specific Grant Income £3.5m.
- 6.4 Other Comprehensive Income and Expenditure for the year was £154.3m and consists of:
- £161.1m surplus on revaluation of property, plant and equipment;
  - £6.8m actuarial loss on pension asset/ liabilities.

## **7. Balance Sheet**

- 7.1 The Balance Sheet is fundamental to understanding the Council's financial position at the year end. It shows the balances and reserves and its long term indebtedness and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.
- 7.2 The Council's net worth was £908.6m as at 31 March 2019, which represents an increase of £139.4m on the previous financial year. The change between years is driven by Other Comprehensive Income of £154.3m (2017/18 £58.7).

## **8. Movement in Reserves Statement**

- 8.1 The Movement in Reserves statement shows the movement in the year on the different reserves held by the Council, analysed into 'useable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and 'other reserves'.

## **9. Cash Flow Statement**

- 9.1 The Cash Flow Statement shows the movement in cash and cash equivalents held by the Council throughout the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

## **10. Housing Revenue Account**

- 10.1 The Housing Revenue Account (HRA) is 'ring-fenced' from the General Fund. This reflects the Council's statutory obligation to maintain a separate revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989.

- 10.2 The HRA statement shows a deficit of £12.4m for 2018/19. This is an increase of £11.2m to the deficit reported in 2017/18, which was £1.2m. The increased deficit in 2018/19 relates largely to an increase in asset impairment and depreciation charges for the year and a reduction in gain on disposal on non-current assets.

## **11. Collection Fund**

- 11.1 This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

## **12. Conclusion**

- 12.1 The Statement of Accounts represents a detailed picture of the Council's financial activity for 2018/19. Members are asked to review the accounts and Letter of Representation presented to them today and approve these documents.