

This Report will be made public on 22 July 2019



Report Number **AUG/19/03**

To: Audit and Governance Committee
Date: 30 July 2019
Head of Service: Charlotte Spendley, Assistant Director Finance, Customer & Support Services
Cabinet Member: Councillor David Monk, Leader of the Council

Subject: Statement of Accounts 2018/19

Summary: In accordance with the Accounts and Audit Regulations 2015 the council must consider and approve its Statement of Accounts no later than 31 July 2019. The Accounts have been subjected to audit, the details of which are set out in Grant Thornton's Audit Findings report.

Reasons for recommendations:

The Committee is asked to agree the recommendations set out below because the Accounts and Audit Regulations 2015 require the council to consider and approve its Statement of Accounts no later than 31 July, to enable publication to be made by that date.

Recommendations:

1. To receive and note Report AuG/19/03.
2. To approve the Statement of Accounts 2018/19.

1. INTRODUCTION AND BACKGROUND

1.1 The 2018/19 Statement of Accounts is prepared in accordance with the relevant Code of Practice on Local Authority Accounting in the United Kingdom and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS).

1.2 The council must comply with the provisions of the Accounts and Audit Regulations 2015. Concerning the signing, approval and publication of the Statement of Accounts:-

- i) The responsible financial officer must, no later than 31 May 2019, sign and date the statement of accounts and certify that it presents a true and fair view of the financial position of the council at the end of the financial year and of the council's income and expenditure for that year. The Director (Customer, Support and Specialist Services) in his role as Chief Finance Officer, signed and dated the accounts on 28 May 2019.
- ii) The council must, no later than 31 July 2019, consider and approve the statement of accounts by way of resolution. The accounts are submitted for consideration and approval under this Agenda.
- iii) Following approval by this Committee, the person presiding at the Committee must sign and date the statement of accounts.
- iv) No later than 31 July 2019, the council must publish its statement of accounts (including the annual governance statement and narrative statement) together with any certificate or opinion entered by the auditor.

2. STATEMENT OF ACCOUNTS 2018/19 – FINANCIAL POSITION AND PERFORMANCE

2.1 Narrative Report (pages 4 to 16)

The Narrative Report seeks to provide information on the authority, its main objectives and strategies, the principal risks faced and commentary on how it has used its resources to achieve the desired outcomes.

The structure of the report itself can be determined by the authority but consideration in its preparation should be given to the following elements: Organisational review and external environment; governance; organisational model; risks and opportunities; strategy and resource allocation; performance, outlook and the basis of preparation.

2.2 Statement of Responsibilities (page 17)

This sets out the responsibilities of the council and the Chief Finance Officer in relation to the production of the Statement of Accounts. Following approval

of the accounts by the Committee, the Chair is required to sign and date the Statement.

2.3 Movement in Reserves Statement (page 20)

This Statement shows the movement in the year on the different reserves held by the council, analysed into 'usable' reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and other reserves.

Overall, reserves increased by £53.2m to £175.7m. Of this, usable reserves rose by £10.1m and other (unusable) reserves increased by £43.1m.

2.4 Comprehensive Income and Expenditure Statement (page 21)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Total Comprehensive Income and Expenditure for 2018/19 showed a surplus of £53.2m (£13.8m surplus in 2017/18). This is equal to the increase in overall reserves explained in the Movement in Reserves Statement. This comprises a Surplus on Provision of Services of £26.0m, with other asset and pension liability movements generating a surplus of £27.2m.

2.5 Balance Sheet (page 22)

The Balance Sheet sets out the financial position of the council at 31 March 2019. The statement shows the balances and reserves at the council's disposal, its long term indebtedness and assets employed. Overall, the council's net worth rose by £53.2m to £175.7m as already explained in the sections on Movement in Reserves and Comprehensive Income and Expenditure Statement.

Long term assets increased by £45.0m compared to the previous year. The main reasons are due to housing dwelling valuation movements of £5.5m increase; Surplus asset valuation movements of £9.8m; Investment property valuation increases of £23.8m; and Long term investments increasing by £5.9m.

Current assets have increased by £1.4m represented by increases in the sum of cash & cash equivalent held £11.2m offset by decreases in short term investments (£9.7m).

Current liabilities have increased by £81k, with small decreases in short term borrowing being offset by small increases in short term creditors & provisions.

Long term liabilities have decreased by £6.9m with the biggest reason being due to the decrease in pension liability of £5.8m.

2.6 Cash Flow Statement (page 23)

This Statement summarises the cash inflows and outflows arising from transactions with third parties, arising from revenue and capital transactions. The Statement shows that there has been a net cash inflow of £11.2m in 2018/19.

2.7 Notes to the Financial Statements (including accounting policies) (pages 24 to 93)

The notes set out in more detail how the figures have been arrived at and give further supporting information. The policies show the principles, bases, conventions, rules and practices applied by the council when preparing and presenting these statements.

2.8 Housing Revenue Account and notes (pages 94 to 100)

The Council, as a recognised housing authority, must produce a statement of the Housing Revenue Account in accordance with the requirements of the Local Government and Housing Act 1989. For 2018/19 there was a surplus (after non service movements) of £470k, resulting in a Housing Revenue Account reserve of £10.2m.

2.9 Collection Fund and notes (pages 101 to 104)

The council is required to maintain a separate fund for the collection of the Council Tax and Business Rates income and payment of precepts. Overall there was an in year surplus of £861k, resulting in a year end deficit balance carried forward on the Fund of £1.3m. Of this amount the council tax holds a surplus of £267k and the business rates a deficit of £1.5m. The council's share of the net deficit is paid over in 2019/20 and 2020/21.

2.10 Group Accounts (pages 105 to 111)

The Group Accounts show the financial position and performance of the council and its wholly owned subsidiary, Oportunitas Ltd.

2.11 Annual Governance Statement (pages 113 to 130)

The Accounts and Audit Regulations require the annual governance statement to be published at the same time as the Statement of Accounts.

2.12 Glossary of Terms (pages 131 to 133)

A definition of some of the terms used within the accounts is provided.

3. AUDIT OF THE ACCOUNTS

- 3.1 The Accounts and Audit Regulations require the statement of accounts to be prepared by 31 May and the audit completed by 31 July. These dates are anticipated to remain in place for the coming financial year also.
- 3.2 These timeframes both for the Council and Grant Thornton are challenging. The Accountancy team have made excellent progress in meeting the statutory deadlines.
- 3.3 Grant Thornton's audit team have been on site since the 8 July and the audit of the accounts is progressing well at the time of preparing this report. Their Audit Findings Report will be presented for consideration at this meeting.
- 3.4 Therefore, for reasons of timing, the copy of the accounts at Appendix 1 is the draft version produced ahead of the audit and has not yet been updated to reflect any changes arising from the audit findings or the final audit opinion. An updated version of Appendix 1 will be circulated to Members either before the meeting on 30 July (if available) or at the meeting, highlighting any changes made. This is the version that Members will be asked to approve.

4. CONCLUSION

- 4.1 The Committee is asked to approve the Statement of Accounts for 2018/19 in accordance with the Accounts and Audit Regulations 2015.

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's Comments (AK)

There are no legal implications arising directly out of this report that are not already referred to in the report.

5.2 Finance Officer's Comments (CS)

A financial summary of the main features of the Statement of Accounts is covered in the body of the report.

Diversity and Equalities Implications (CS)

- 5.3 There are none arising directly from this report

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Charlotte Spendley – Assistant Director- Finance, Customer & Support Services

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The following background documents have been relied upon in the preparation of this report:

Appendices:

Appendix 1: Draft Statement of Accounts 2018/19