

AUDIT & GOVERNANCE COMMITTEE

25th July 2019

REPORT OF THE EXECUTIVE DIRECTOR FINANCE

ANNUAL STATEMENT OF ACCOUNTS & REPORT 2018/19

EXEMPT INFORMATION

None

PURPOSE

To approve the Statement of Accounts (the Statement) for the financial year ended 31st March 2019 following completion of the external audit.

RECOMMENDATION

That Members approve the Annual Statement of Accounts 2018/19

EXECUTIVE SUMMARY

Current legislation, detailed in Accounts and Audit (England) Regulations 2015, requires the Council to prepare a Draft Statement of Accounts by 31st May (approved by the Council's Chief Finance Officer - the Executive Director Finance), a Committee of the Council to approve the Statement by 31st July and for the Council to publish the Statement together with the Auditors' opinion by 31st July.

To meet these deadlines, the Finance team planned to bring forward the completion date for the Statutory Accounts – with a target completion date of 24th May 2019. The final draft accounts as signed by the Executive Director Finance, were issued to the External Auditor, the Members of this Committee and published on the Council's website on 23rd May 2019 following a period of quality assurance and due diligence checks – ahead of the target and statutory deadline of 31st May.

As part of the annual audit process for 2018/19, the Council's external auditors, Grant Thornton, have prepared their Audit Findings Report (to be considered separately on this agenda) for consideration prior to issue of their opinion, conclusion & certificate.

It has previously been reported to Members that as a result of the need to close the accounts earlier (and sometimes rely on estimates in doing so) it is more likely that there will be changes required to the draft accounts before they are finalised.

Following identification as part of the audit, a number of amendments to the Draft (as published on the website and circulated to the Audit & Governance Committee on 23rd May 2019) have been discussed & agreed with Grant Thornton.

This included a material amendment relating to the Pension Fund valuation as the actual rate of return on the pension fund's assets for the year differed from that assumed by the actuary. In addition, the actuary's initial valuation did not give consideration to the liability arising as a result of changes relating to guaranteed minimum pensions (GMP) and a legal ruling around age discrimination (McCloud).

The Council instructed the actuary to re-perform the valuation, with the revised valuation including increased liabilities for GMP and McCloud (£179k and £369k respectively), and a lower gross asset position due to a £903k reduction in the assumed return on the Council's share of the pension fund.

The agreed changes have been actioned within the Final Statement of Accounts for 2018/19 as attached at **Appendix 1**. It is important to note that these adjustments have changed the figures within the main financial statements and the associated notes (as well as minor changes to presentational or disclosure issues) but do not have any impact on the reported outturn position and net balances of the General Fund, Housing Revenue Account or Collection Fund – as accounting for the pension fund movements is reversed through the pensions reserve and does not impact on the taxpayer.

Regulations require the Chair of the Audit & Governance Committee meeting to sign and date the Statement of Accounts with the intention that the Chair's signature formally represents the completion of the Council's approval process of the accounts.

RESOURCE IMPLICATIONS

For 2018/19, a revenue budget underspend for the General Fund of £2.3m is reported with a reduction in General Fund closing balances of £0.8m (compared to the budgeted/planned transfer of £3.1m). It should be noted that the Medium Term Financial Strategy, approved in February 2019, identified estimated budgeted General Fund balances of £5.8m (at 1st April 2019) compared to the actual closing balances of £6.1m - additional balances of £0.3m. There has been no material change from the Provisional Outturn / Draft Statement of Accounts.

The main variances for the year include:

- Additional development control income of £138k;
- Additional Benefits grants of £412k;
- Increased levy payment of £210k due to additional Business Rates receipts – offset by returned levy income of £388k and increased section 31 grants of £243k;
- Additional investment interest of £371k due to higher levels of balances and interest rate increases – partially offset by increased interest payable to the HRA of £155k;
- Joint Waste arrangement underspends of c.£237k; and
- Unspent Contingencies of £192k.

The Housing Revenue Account reports an underspend of £1.5m with a reduction in Housing Revenue Account closing balances of £2.3m. For the HRA balances of £3.6m were forecast at 1st April 2019 compared to the actual closing balances of £4.5m - additional balances of £0.9m. There has been no material change from the Provisional Outturn / Draft Statement of Accounts.

The main variances for the year include increased interest payable to the HRA of £155k (due to higher levels of balances and interest rates), higher rent levels (£181k) due to a robust collection performance by the income team (which also means the provision for bad debts arising from welfare benefit reform is forecast to be underspent by £42k - while awaiting the full impact of Universal Credit to be rolled out) together with an underspend on repairs of £0.7m.

The outturn for the 2018/19 capital programme identifies an underspend of £40.5m against the approved budget of £60.3m (actual spend £19.8m - no change since Provisional Outturn / Draft Statement of Accounts).

However, it has been approved that £40.3m of scheme spend be re-profiled into 2019/20. This will result in an overall underspend of £0.2m for the 2018/19 capital programme.

LEGAL / RISK IMPLICATIONS

Current legislation, detailed in Accounts and Audit (England) Regulations 2015, requires the draft statement of accounts to be prepared by 31st May 2019 and for a Committee of the Council to approve the audited Statement and for the Council to publish the Statement together with the Auditors' opinion by 31st July 2019.

CONCLUSIONS

Following consideration of the External Auditors Audit Findings Report and the approval of the Annual Statement of Accounts, the Chair's signature formally represents the successful completion of the Council's approval process of the accounts for 2018/19.

REPORT AUTHOR

Stefan Garner, Executive Director Finance

LIST OF BACKGROUND PAPERS

Capital Outturn Report 2018/19 - Cabinet, 13th June 2019
Performance Healthcheck (including Provisional Outturn Report 2018/19) –
Corporate Scrutiny Committee, 12th June 2019 and Cabinet, 2nd July 2019

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