

Report of the Chief Finance Officer

Report to Corporate Governance and Audit Committee

Date: 25th June 2019

Subject: Publication of Draft Statement of Accounts 2018/19

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

- 1 The Chief Finance Officer has reviewed the 2018/19 accounts and certified that they are a true and fair view of the Council's financial position.
- 2 The accounts have been drawn up based on proper accounting practice as required by the Accounts and Audit Regulations 2015.
- 3 The accounts were made available for public inspection for thirty working days commencing 3rd June 2019.
- 4 Despite the continuing financial pressures impacting on local government, the Council continues to manage its financial affairs in an effective manner. The final outturn position for the general fund was an underspend of £3.0m.

Recommendations

- 5 Members are asked to:
 - Note the 2018/19 unaudited Statement of Accounts as certified by the Responsible Financial Officer, prior to their release for public inspection.

1 Purpose of this report

- 1.1 The purpose of this report is to present to the Committee the draft unaudited 2018/19 Statement of Accounts which are currently available on the council's website for public inspection. The Statement of Accounts is included with the agenda as a separate document for Committee members and will be published on the Council's internet site.

2 Background information

- 2.1 Whilst it is not a statutory requirement for members to formally approve these unaudited accounts, members of this committee requested that they receive the draft accounts for information, prior to the final audited accounts being submitted to the committee for approval in July.

3 Main issues

3.1 Main Financial Issues

- 3.1.1 The following is a summary of the main financial issues raised by the 2018/19 unaudited accounts:

- The final outturn position for the year was a £2.3m contribution to the General Fund Reserve, which represented a £3.0m underspend in comparison to the figure budgeted for.
- The Housing Revenue Account outturn position was a £2.2m usage of revenue reserves, which was represented a £1.1m lower use of reserves than was budgeted for.
- The council's net worth has decreased by £244.5m and stands at £1,414m. The most significant factor in this reduction was an increase in the net pensions liability of £214m, largely as a result of changes in the actuarial assumptions affecting the current value of the liabilities.
- Net borrowing for capital and treasury management purposes has increased during the year by £84m, in comparison to an increase of £132m in the capital financing requirement, and the value of fixed assets rose by £59m.
- The council's level of usable reserves has increased by £32m to £312m during the year. The majority of this increase relates to ringfenced reserves (usable capital reserves have increased by £18.6m and ringfenced revenue reserves by £4.5m), however there has been an increase of £7.3m in non ringfenced revenue reserves.

A full analysis of these and other financial issues is included in the Foreword of the Chief Finance Officer which can be found at the front of the accounts.

3.2 Responsibilities and Timeframes for Approving the Statement of Accounts

- 3.2.1 The Accounts and Audit Regulations 2015 determine the roles and responsibilities for approving local government accounts. Under these regulations it is the responsibility of the Responsible Financial Officer to certify that the accounts are a true and fair view of the Council's financial position before the 31st May. The accounts must then be available for public inspection for thirty working days,

which must include the first ten working days of June. This Committee is charged with approving and publishing the final audited accounts before the 31st July.

3.2.2 To enable members to discharge their responsibilities for approving the accounts at the July meeting of the committee, the following assurances can already be given, or will be given within the approval process:

- On 31st May 2019 the Chief Finance Officer in her capacity as the Responsible Financial Officer signed the draft 2018/19 accounts, confirming that she is satisfied that they present a true and fair view of the Council's financial position.
- The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which represents proper accounting practice for local authorities, as required by the Accounts and Audit Regulations 2015.
- Grant Thornton are currently undertaking a detailed audit of the accounts to ascertain that, in their view, the accounts show a true and fair view of the Council's financial position. They will report any significant issues back to this Committee in July.
- Stakeholders have thirty working days while the accounts are on deposit to look through the accounts and supporting documentation and raise any questions with the auditors or to object to the accounts. If considered an eligible objection the auditors would investigate the complaint or questions and determine whether the accounts needed amendment. Any significant issues raised in this way would be reported back to this Committee in July. For 2018/19, the public inspection period commenced on 3rd June.
- Members have the opportunity to question officers on any aspect of the accounts at this Committee or in the July Committee prior to approving the accounts.

3.3 Accounting Issues Impacting on the Financial statements

3.3.1 There have been no significant changes in accounting policy affecting the 2018/19 accounts.

3.4 External Audit Issues

3.4.1 In July 2018, KPMG reported back to this Committee on their main audit findings in respect of the 2017/18 accounts and any recommendations or risks for the following year's accounts. The report made one recommendation, that the valuation date for the council's property, plant and equipment should be moved from 1st April to later in the year. For the 2018/19 accounts a valuation date of 30th September has been adopted.

3.4.2 In their annual audit plan which was presented to the committee in January 2019, Grant Thornton identified two key areas of audit risk for the 2018/19 accounts, due to the materiality of the figures involved. These were the valuation of property, plant and equipment and the valuation of net pension liabilities.

3.5 2019-20 Audit Fee

- 3.5.3 Since the previous meeting of the committee, the council has received Grant Thornton's audit fee letter for 2019/20, which confirms that their planned audit fee for that year will be £178,604, unchanged from 2018/19. This is in accordance with the scale fee set by Public Sector Audit Appointments Ltd.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 This is a factual report from the Chief Finance Officer on the Council's 2018/19 financial accounts and consequently no public, ward member or councillor consultation or engagement has been sought.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 There are no issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and City Priorities

- 4.3.1 The Statement of Accounts is an audited publication which provides all stakeholders with the confidence that public money has been properly accounted for and that the financial standing of the Council is on a secure basis.
- 4.3.2 As required by the Accounts and Audit Regulations 2015, the accounts are to be made available for public inspection for thirty working days. Local electors and taxpayers have the right to look through the accounts and supporting documentation as well as the right to object to the accounts and question the auditors.

4.4 Resources and value for money

- 4.4.1 This is a factual report of the Chief Finance Officer on the financial accounts of the Council for 2018/19. There are no additional financial or value for money implications.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The accounts are required to be certified as a true and fair view of the Council's financial position by the Responsible Financial Officer before the end of May. This report does not require a key decision and is therefore not subject to call in.

4.6 Risk Management

- 4.6.1 The Council's external auditors provide a risk assessment on the accounts process as part of their annual audit plan, which was presented at a previous meeting of this Committee. The specific areas identified as audit risks will be covered as part of their audit work, and any issues arising will be reported at the July meeting of this committee.

5 Conclusions

- 5.1 Despite the continuing financial pressures impacting on local government, the Council continues to manage its financial affairs in an effective manner and has maintained the level of general reserves at a prudent level. Although the Council's net worth has decreased during the year, largely due to an increase in the

pensions deficit recognised in the accounts, its level of useable reserves has increased. Overall the Council continues to balance its finances and has a proven process for managing future budget pressures.

5.2 The Responsible Financial Officer has certified that the accounts are a true and fair view of the council's financial position.

6 Recommendations

6.1 Members are asked to:

- Note the 2018/19 unaudited Statement of Accounts as certified by the Responsible Financial Officer, and that they have been released for public inspection.

7 Background documents¹

7.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.