

<b>Report of:</b>	<b>Head of Finance</b>
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<b>Portfolio Leader:</b>	<b>Leader of the Council</b>
<b>Key Decision:</b>	<b>No</b>
<b>Report Track:</b>	<b>Audit and Governance only</b>

**AUDIT AND GOVERNANCE COMMITTEE****29 JULY 2019****STATEMENT OF ACCOUNTS 2018/19****1 Purpose of Report**

- 1.1 To present the audited Statement of Accounts for 2018/19 to the Audit and Governance Committee for approval.

**2 Recommendations**

- 2.1 That the audited Statement of Accounts for 2018/19 be approved.

**3 Key Issues and Reasons for Recommendation**

- 3.1 The Accounts and Audit Regulations 2015 require that the Council's Statement of Accounts be approved by the Audit and Governance Committee.

**4 Relationship to Corporate Priorities**

- 4.1 The financial statements are an important part of the Council's corporate governance arrangements, which cut across all corporate priorities.

**5 Report Detail**

- 5.1 Members of Audit and Governance Committee are required to approve the Council's audited Statement of Accounts for 2017/18 by 31 July 2019, in accordance with the Accounts and Audit Regulations 2015.
- 5.2 The Audit Findings report which summarises the results of our external auditors' work for the year is presented elsewhere on the agenda.

5.3 The purpose of the Council's published Statement of Accounts circulated as a **SEPARATE BOOKLET** is to give electors, those subject to locally levied taxes and charges, members of the Council, employees and other interested parties clear information about the Council's finances. It should answer such questions as:

- What did the Council's services cost?
- Where did the money come from?
- What were the Council's assets and liabilities at the year-end?

5.4 The Narrative Report on pages 3 – 22 of the **SEPARATE BOOKLET** is presented as a foreword to the Statement of Accounts to fulfil a similar purpose to a directors' report in company accounts. It provides a guide for the reader of the accounts to the most significant aspects of the Council's financial performance, year-end financial position and cash flows.

5.5 The following comprise the key financial statements that are set out in the Statement of Accounts 2018/19:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Housing Revenue Account
- Collection Fund

#### 5.6 **Comprehensive Income and Expenditure Statement (page 25)**

5.6.1 This statement shows the **accounting cost** in the year of providing services in accordance with generally accepted accounting practices, rather than the true cost of services to be funded from taxation. The Council raises Council Tax to cover expenditure in accordance with regulations; this may be different from the accounting cost.

5.6.2 Therefore, accounting costs which are properly recorded within the Comprehensive Income and Expenditure Statement (e.g. notional charges such as depreciation and adjustments to pensions costs required by International Financial Reporting Standards) are excluded from the Council's Management Final Accounts because the Final Accounts Portfolio spending only reports the amounts that are required to met from Council Tax. Regulation prohibits notional charges such as depreciation being met from Council Tax.

5.6.3 In practice this means that there is a difference of £7.633 million between the bottom line reported in Portfolio spending (General Fund and HRA) (£8.093 million) and the bottom line of the cost of services reported in the Comprehensive Income and Expenditure Statement (£15.726 million) which principally relates to the complex notional accounting adjustments required by International Financial Reporting Standards and adjustments for reserves. Further details are provided in notes 6 and 7 on pages 46 to 48 of the **SEPARATE BOOKLET**.

- 5.6.4 The Comprehensive Income and Expenditure Statement on page 25 reveals an increase in the net cost of services year on year of £3.819 million (2018/19 £15.726 million and 2017/18 £11.907 million). This increase primarily relates to changes in capital charges £2.846 million and void repairs cost coded to revenue £0.688 million. The net cost of services also includes CIL and S106 receipts of £1.632 million offset by reduction in income of £0.433 million and additional net pension costs of £0.485 million. A full analysis of the differences is shown in note 5 on page 45.
- 5.6.5 Other Comprehensive Income and Expenditure Account transactions include a surplus (£13.542 million) on the revaluation of Plant, Property and Equipment assets as contained in the Balance Sheet together with a re-measurement of the net defined benefit liability of £4.139 million. Both transactions relate to the Unusable Reserves classification of the accounts and hence have no overall impact upon the financial position of the Council.
- 5.6.6 Overall, a decrease in Other Comprehensive Income and Expenditure of £15.036 million was recorded in 2018/19 (2018/19 surplus of (£9.403) million as compared to the 2017/18 surplus of (£24.439) million. This change is primarily due to reductions in the surplus in Property, Plant and Equipment valuations of £7.959 million and the re-measurement on the Pension assets and liabilities of £7.064 million (2018/19 gain of (£2.925) million), 2017/18 loss of £4.139 million). The 2018/19 figure relates principally to a slight reduction in the discount factor from 2017/18, also in addition there has been an impact on past service cost liabilities of £0.856 million as a result of court judgement cases on age discrimination in relation to other Public Sector schemes which have impacted on pension fund liabilities. The 2017/18 figure reflected a slight increase in the discount rate.

## 5.7 **Movement in Reserves Statement (pages 26 - 27)**

- 5.7.1 The Movement in Reserves 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 applied to fund expenditure or reduce local taxation) and other unusable reserves such as the Capital Adjustment Account and the Pensions Reserve. The (surplus)/deficit on the provision of services shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement on page 27 of the **SEPARATE BOOKLET**.
- 5.7.2 The Movement in Reserves Statement shows that the Council's total usable reserves increased from £22.377 million on 31 March 2018 to £33.092 million on 31 March 2019, an increase of £10.715 million. Usable reserves have increased primarily as a result of additional Capital receipts (£5.313 million), Earmarked HRA reserves (£3.151 million) reflecting RCCO contributions and Major repairs reserve (£1.550 million). These amounts will all be used for capital financing and are included in the budgeted programme.

## **5.8 Balance Sheet (page 28)**

- 5.8.1 There has been an increase in net assets of £6.406 million (2018/19 £106.345 million net assets, 2017/18 £99.939 million net assets).
- 5.8.2 The biggest change to report in relation to the Long Term assets of the Council relates to the increase in Property Plant and Equipment of £3.755 million, this is largely due to the revaluation of assets, with Council dwellings increasing by £7.093 million during 2018/19. Other land and buildings have reduced by £1.319 million reflecting disposals and valuations with Assets under Construction reduced by £2.094 million reflecting reclassification to operational land and buildings.
- 5.8.3 Long Term liabilities have increased by £9.531 million. £8.800 million; of this change is in relation to the pension deficit the increase arises from changes in financial assumptions on discount, pension interest rates and the impact of court judgements in relation to overall liabilities.
- 5.8.4 Current assets have increased by £14.987 million, which reflects the year end holdings of capital receipts and reserves, including the return of the Local Authority Mortgage Scheme Deposit.

## **5.9 Cash Flow Statement (page 29)**

- 5.9.1 The Cash Flow Statement summarises flows of cash in and out of the Council's bank accounts. The change in the value of cash and cash equivalents year on year £11.895 million relates primarily to proceeds of capital receipts £8.081 million and return of Local Authority Mortgage Scheme deposit of £2 million. Further details are provided in notes 29, 30 and 31 on pages 69 - 70 of the **SEPARATE BOOKLET**.

## **5.10 Housing Revenue Account (page 89)**

- 5.10.1 The Net Cost of HRA services shows a reduction in the surplus of £1.110 million, (£0.973 million) 2018/19 as compared to (£2.083 million) in 2017/18. Dwelling rents shows a reduction of £0.225 million whereas Repairs and Maintenance and supervision and Management General have increased by £0.594 million and £0.259 million respectively.
- 5.10.2 The Housing Revenue Account outturn (Statement of Movement on the Housing Revenue Account Balance shows a deficit of £0.166 million in 2018/19 compared with a deficit of £0.041 million in 2017/18. This change is in line with the budget set for 2018/19 which forecast a planned deficit of £0.208 million.
- 5.10.3 The housing working balance now stands at £1.573 million as at 31 March 2019. This is some £0.042 million in excess of the minimum requirement.

## **5.11 Collection Fund (page 93)**

- 5.11.1 As a billing authority, the Council is required to provide the Collection Fund Income and Expenditure Account which summarises the collection and

distribution of amounts due in respect of Council Tax and National Non-Domestic Rates.

5.11.2 The net position on the Collection Fund in respect of Council Tax for the year was a deficit of £0.473 million (this included a redistribution of surplus during the year of £0.695 million). After taking account of brought forward surpluses of (£1.623 million) this provides a cumulative surplus of £1.150 million (of which £0.155 million relates to this Council). The surplus will be taken into account within the Council Tax calculations for 2020/21.

5.11.3 The net position on the Collection Fund in respect of National Non-Domestic Rates for the year is a deficit of £0.784 million which after taking account of brought forward surplus of (£0.655 million) leaves a net deficit of £0.129 million. Cannock Chase's share of the deficit is £0.051 million.

## **6 Implications**

### **6.1 Financial**

None

### **6.2 Legal**

None

### **6.3 Human Resources**

None

### **6.4 Section 17 (Crime Prevention)**

None

### **6.5 Human Rights Act**

None

### **6.6 Data Protection**

None

### **6.7 Risk Management**

None

### **6.8 Equality & Diversity**

None

### **6.9 Best Value**

None