

REPORT FOR: **Governance, Audit, Risk
Management and Standards
Committee (GARMS)**

Date: 5 September 2017

Subject: Statement of Accounts 2016-17

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Enclosures: Appendix 1: Statement of Accounts 2016-17
Appendix 2: Pension Fund Annual Report 2016-17
Appendix 3: Summary Statement of Accounts
2016-17 **(to follow)**
Appendix 4: External Audit Report on the Audit of
the Statement of Accounts and the
Harrow Pension Fund for the year
ended 31 March 2017 **(to follow)**

Section 1 – Summary and Recommendations

This report presents the audited Statement of Accounts for 2016-17.

Recommendations:

1. To consider the reports of the External Auditor on matters arising from the audit of the Statement of Accounts 2016-17 and the Pension Fund Annual Report 2016-17;
2. To approve the audited Statement of Accounts 2016-17 and note the Pension Fund Annual Report 2016-17 and authorise the signing thereof by the Chair;
3. To authorise the Director of Finance, following consultation with the Chair, to make any final amendments to the Accounts and Pension Fund Annual Report arising from the external audit prior to the signing of the accounts by the auditor; and
4. To note the Summary Statement of Accounts 2016-17.

Reason:

Under the Accounts and Audit Regulations 2015 the Statement of Accounts must be approved by a committee of Members. Once approval has been given, the Chair of the committee is required to sign and date the Statement of Accounts.

Section 2 – Report

Background

1. In July 2017 the GARMS committee received a report on the draft Statement of Accounts 2016-17. Today's report is on the audited Statement of Accounts for 2016-17.
2. The Accounts and Audit Regulations 2015, require Local Authorities to prepare Statement of Accounts in accordance with proper practices. This is the final year that the draft Statement of Accounts is required to be prepared by 30 June (from 2017-18 the deadline will be 31st May). The draft Statement of Accounts must be signed and dated by the responsible financial officer (Director of Finance section151 officer).
3. Following the public inspection period, the Regulations require the audited Statement of Accounts to be submitted to a committee for approval. The Statement of Accounts must be signed and dated by the Chair of the Committee. At Harrow, the Committee nominated to receive and approve the accounts is the GARMS committee.
4. This is the final year that the approved Statement of Accounts must be published by 30 September after the end of the financial year to which they relate. From financial year 2017-18 the approved Statement of Accounts must be published by 31 July each year.
5. The publication of the Statement of Accounts set out the Council's financial performance for the year of account. They provide public information on the Council's financial performance, and are a substantial part of the process by which the Council is held accountable to the public for the proper management and stewardship of the Council's resources.
6. The Pension Fund Annual Report is included within the appendices to this report and will be subject to approval by the Pension Fund Committee in November.
7. In accordance with International Standard on Auditing (ISA) 260, the external auditor (KPMG LLP) prepares detailed reports on matters arising from the audit of the Statement of Accounts and Pension Fund Annual Report. This report is required to be considered by "those charged with governance" [GARMS] before the external auditor can sign the accounts. This report is being finalised by the external auditors and is to follow.
8. This is the second financial year (2016-17) that KPMG LLP have been the external auditors for this Authority, having taken over the role from Deloitte LLP.

9. The Annual Governance Statement is included in the Statement of Accounts. A separate report on the agenda for this meeting recommends its approval in its own right.

Accounts Summary

10. The **Narration Report** includes the performance of the Council and provides an outlook for the future. The revenue balanced budget and the capital spend of £90m reported in the draft version of the accounts provided at the GARMS meeting in July remain unchanged.
11. The **Comprehensive Income and Expenditure Account (CIES)** shows the true economic cost of providing Council services. The surplus of £87m reported in section 4.2 of the draft accounts at July GARMS has changed to a surplus of £76m. This has resulted from the change in the Land Registry data used for uplifting Council dwelling valuations which became available after the draft accounts were prepared.
12. Under statutory regulations some of the costs disclosed in the CIES (e.g. impairments, IAS 19 costs, etc.) are not taken into account when setting the Council Tax and Dwelling Rents. These are reversed in the **Movement in Reserves Statement** which summarises the Council's total usable and unusable reserves. The increase of £14m in usable reserves balance reported in section 4.3 of the draft accounts at July GARMS remains unchanged.
13. The revised CIES surplus of £76m has provided a net increase in total Authority reserves. This in part is due to re-measurements (change in financial assumptions impacting on the net present value) of the net pension liability (£17m debit) and a net current year revaluation surplus on non current assets (£74m). The £19m surplus on provision of services accounts for the remainder of the difference.
14. The **Balance Sheet** sets out the financial position of the Council as at 31st March 2017. The balances reported in section 4.4 of the draft accounts at July GARMS have changed by £11.3m due to a lower valuation of HRA dwellings as explained in paragraph 11 above.
15. Property, Plant and Equipment has increased by £101m in valuation compared to 2015-16 due primarily to an increase in the market value of Council Dwellings (£66m) and Other Land and Buildings (£35m).
16. Long Term Debtors has increased by £24.6m over 2015-16 partly due to additional loan monies being released to the West London Waste Authority (WLWA) (£3m) and also taking into consideration deferred proceeds on the sale of assets (£21m).
17. Other Long Term Liabilities increased by £30.5m due to an increase in IAS19 Pension Liabilities.
18. As a consequence of the movements within the net assets section of the Balance Sheet Usable Reserves have increased by £14m to

£104m and Unusable Reserves have increased by £62m to £363m giving a total balance sheet worth of £467m

19. The **Cash Flow** statement shows how the Council generates and uses cash. There has been no amendment to the version reported at July GARMS in section 4.5 of the draft accounts.

20. The **Housing Revenue Account (HRA)** shows the true economic cost of providing housing services. The surplus of £6.6m and the balance on the HRA of £6.9m reported to July GARMS in section 6 of the draft accounts remains unchanged.

21. The **Collection Fund** statement shows a net surplus of £10.2m. This remains unchanged from section 7 of the draft accounts reported at July GARMS. Council Tax generated an in year deficit of £1.1m and Business Rates a surplus of £3.7m.

22. Net assets of **Pension Fund** at year end are £807m. This remains unchanged from section 9 of the draft accounts reported at July GARMS. This has increased by £146m from the previous year due mainly to increases in the market value of investments.

23. The ISA260 report contains matters raised by the auditor, their recommendations on the issues, and the management response. Any further update on these items will be given verbally at the meeting. This part of the report is being finalised by the external auditors and is to follow.

Financial Implications

24. There are no direct financial implications arising from this report.

Risk Management Implications

25. There are no risk implications.

Equalities Implications

26. There are no equalities implications.

Corporate Priorities

27. The Statement of Accounts provides assurance that the Council has managed and delivered its finances in accordance with its approved plans and budget.

Section 3 – Statutory Officer Clearance

Name: Dawn Calvert



Finance Director

Name: Noorpur Talwar



For Legal Services

Date: 24 August 2017

Section 4 - Contact Details and Background Papers

Contact: Technical Finance and Accountancy (Tel: 0208 424 1335 – internal 2335)

Background Papers: None