

REPORT FOR:

Governance, Audit, Risk Management and Standards Committee (GARMS)

Date:

17 July 2018

Subject:

Statement of Accounts 2017-18

Responsible Officer:

Dawn Calvert, Director of Finance

Exempt:

No

Enclosures:

Appendix 1: Statement of Accounts 2017-18
Appendix 2: Pension Fund Annual Report 2017-18
Appendix 3: Summary Statement of Accounts
2017-18 (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 2018 (to follow)

Section 1 – Summary and Recommendations

This report presents the audited Statement of Accounts for 2017-18.

Recommendations:

1. Consider the reports of the External Auditor on matters arising from the audit of the Statement of Accounts 2017-18 and the Pension Fund Annual Report 2017-18;
2. Approve the audited Statement of Accounts 2017-18 and note the Pension Fund Annual Report 2017-18 and authorise the signing thereof by the Chair;
3. 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. Note the Summary Statement of Accounts 2017-18.

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. The Accounts and Audit Regulations 2015, require Local Authorities to prepare the Statement of Accounts in accordance with proper practices. This is the first year that the draft Statement of Accounts is required to be prepared by 31st May (previously the deadline was 30th June). The draft Statement of Accounts must be signed and dated by the responsible financial officer (Director of Finance section 151 officer).
2. The new earlier deadline meant that GARMS Members did not have a scheduled meeting to review and ask questions on the draft Statement of Accounts. To enable Members to have the same opportunity of discussing the draft Statement of Accounts, all Members were offered a training session with the technical finance team and also provided with the opportunity to ask further questions before today's GARMS meeting. Today's report is on the audited Statement of Accounts for 2017-18.
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 first year that the audited Statement of Accounts must be published by 31st July. Previously the deadline was 30th September each year.
5. The publishing of the Statement of Accounts makes public 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 as appendix 2 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 third and final financial year (2017-18) that KPMG LLP will be the external auditors for the Council. From next year the new external auditors will be Mazars 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** at section 1.0 provides an analysis of the performance of the Council and an overview of the future. The revenue balanced budget (after contributing £3.2m into reserves) and the capital spend of £94m reported in the draft version of the accounts remain unchanged.
11. The **Comprehensive Income and Expenditure Account (CIES)** at section 4.2 shows the true economic cost of providing Council services. The surplus of £66m reported in section 4.2 of the draft accounts has not changed.
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 £7m in usable reserves balance reported in section 4.3 of the draft accounts remains unchanged.
13. The CIES surplus of £66m explains the net increase in total Council net assets and reserves. This is in part due to a reduction of in the net pension liability (£36m credit) resulting from a reassessment by the Actuary of the financial assumptions used to measure the net liability. In addition there is a net current year revaluation surplus on non current assets (£22m). The £8m surplus on provision of services makes up the remainder of the difference.
14. The **Balance Sheet** at 4.4 of the draft financial statements sets out the financial position of the Council as at 31st March 2018.
15. Property, Plant and Equipment has increased by £77m in valuation compared to 2016-17. This is due primarily to additions (£103m), the net current year revaluation surplus (£22m), and partly offset by depreciation (£31m) and disposals (£12m).
16. Short Term Debtors has increased by £13m over 2017-18. The main reason is central government grants due but not yet paid to the Council
17. Cash and Cash Equivalents have reduced by £30m. The main reason is the use of cash balances to help fund the capital programme.
18. Other Long Term Liabilities decreased by £15m due to a reduction in IAS19 Pension Liabilities.

19. As a consequence of the movements within the net assets section of the Balance Sheet Usable Reserves have increased by £7m to £111m and Unusable Reserves have increased by £59m to £422m giving a total balance sheet worth of £534m
20. The **Cash Flow** statement at section 4.5 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.
21. The **Housing Revenue Account (HRA)** at 6.1 of the draft supplementary financial statements shows the true economic cost of providing housing services. The account shows a surplus of £1.9m and the balance on the HRA of £7.4m.
22. The **Collection Fund** statement at 7.1 of the draft supplementary financial statements shows a net surplus of £14.2m. Council Tax generated an in year deficit of £0.6m and Business Rates a surplus of £4.7m.
23. Net assets of the **Pension Fund** at 8.0 of the draft Pension Fund Financial Statement at year end are £816m. This has increased by £10m from the previous year due mainly to increases in the market value of investments and a reduction in cash deposits held at year end.
24. 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

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

Risk Management Implications

26. There are no risk implications.

Equalities Implications

27. There are no equalities implications.

Corporate Priorities

28. 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

Chief Financial Officer

Name: David Hodge

On behalf of the Monitoring Officer

Date: 4th July 2018

Section 4 - Contact Details and Background Papers

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

Background Papers: None4