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

Date of Meeting: 16 July 2019

Subject: Statement of Accounts 2018-19

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: Appendix 1: Statement of Accounts 2018-19
Appendix 2: Pension Fund Annual Report 2018-19
Appendix 3: Summary Statement of Accounts 2018-19
Appendix 4: External Audit Reports on the Statement of Accounts and the Harrow Pension Fund for the year ended 31 March 2019

Section 1 – Summary and Recommendations

This report presents the Statement of Accounts for 2018-19 subject to the issue of the audit opinion

Recommendations:

1. Consider the reports of the External Auditor on matters arising from the audit of the Statement of Accounts 2018-19 and the Pension Fund Annual Report 2018-19 (appendix 4);
2. Approve the Statement of Accounts 2018-19 (which are subject to the issue of the audit opinion) and the Pension Fund Annual Report 2018-19 and authorise the signing of the accounts by the Chair (appendix 1 and appendix 2);

3. Authorise the Director of Finance, following consultation with the Chair, to make any final amendments to the Statement of Accounts and Pension Fund Annual Report arising from the external audit prior to the issue of the audit opinion and signing of the accounts by the auditor;
and
4. Note the Summary Statement of Accounts 2018-19 (appendix 3).

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 second 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 means that GARMS Members do not have a scheduled meeting to review and ask questions on the draft Statement of Accounts. To enable Members to have the opportunity of discussing and reviewing the draft Statement of Accounts, all Members were provided with an electronic copy and invited to submit questions to the Central Finance Team before today's GARMS meeting. A schedule of questions together with responses has been circulated to all Members of the GARMS committee.
3. Following the public inspection period (3rd June 2019 to 12th July 2019), the Regulations require the 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 second year that the audited Statement of Accounts must be published by 31st July (previously 30th September).
5. Publishing the Statement of Accounts makes public the Council's financial performance for the year of account. They 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 (which includes the Pension Fund Statement of Accounts) is attached as appendix 2 to this report and was previously presented to the Pension Fund Committee in June 2019.
7. In accordance with the International Standard on Auditing (ISA) 260, the external auditor (Mazars LLP) prepares detailed reports on matters arising from the audit of the Statement of Accounts and Pension Fund Annual Report. These reports are required to be considered by "those charged with governance" (GARMS) before the external auditor can sign the accounts.
8. This is the first financial year that Mazars LLP are acting as the Council's external auditors.

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. A balanced outturn position was achieved after contributing just under £11m into reserves. Of this £11m, £2.4m has been carried forward to be spent in 2019-20, leaving the remainder of £8.6m earmarked to help fund the 2019-20 budget and to fund capacity needed to implement future savings and organisational transformation.
11. The **Comprehensive Income and Expenditure Account (CIES)** at section 4.1 shows the true economic cost of providing Council services. There have been no material amendments to the version reported in the original draft accounts.
12. The CIES deficit of £102m explains the net decrease in total Council net assets and reserves. This deficit includes a deficit on Provision of Services of £57m, the revaluation loss on property, plant and equipment (£15m) and re-measurements of the net pension liability (£30m). The main difference between the deficit on Provision of Services of £57m and the balanced outturn report are capital losses and gains that are not shown in the outturn report including for example depreciation expense (£33m) and the loss on transfer of a school to Academy status (£31m).
13. Under statutory regulations some of the costs disclosed in the CIES (e.g. depreciation, re-measurements of the net pension liability etc.) are technical accounting adjustments and these 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 £23m in the usable reserves balance reported in section 4.2 of the original draft accounts remains unchanged.
14. The **Balance Sheet** at 4.3 of the financial statements sets out the financial position of the Council as at 31st March 2019. There have been no amendments to the version reported in the original draft accounts.
15. Property, Plant and Equipment has decreased by £46m in valuation compared to 2017-18. This is due primarily to additions (£38m), the net current year revaluation deficit (£15m), and further offset by depreciation (£33m) and disposals (£39m).
16. Short Term Debtors have decreased by £10m compared to 2017-18. Improved invoicing procedures have reduced the level of year end short term debtors.

17. Cash and Cash Equivalents increased by £6m through short term deposits being held with banks and building societies.
18. Other Long Term Liabilities increased by £50m due to an increase 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 £23m to £134m while unusable reserves have decreased by £125m to £298m giving a total balance sheet worth of £432m
20. The **Cash Flow** statement at section 4.4 shows how the Council generates and uses cash. There has been no amendment to the version reported in the original draft accounts.
21. The **Expenditure and Funding Analysis (EFA)** at 5.5 shows how resources and expenditure are allocated for decision making purposes between the Council's directorates and then compared with the true economic cost of providing services in accordance with proper accounting practices set by the regulations.
22. The **Housing Revenue Account (HRA)** at 6.1 shows the transactions relating to the provision, maintenance and management of the Council's housing stock. The account shows a neutral position for the year leaving revenue balances unchanged at £7.5m.
23. The **Collection Fund** statement at 7.1 shows the overall carried forward net surplus of £3.2m.
24. Net assets of the **Pension Fund** at 9.0 of the Pension Fund Financial Statement at year end are £851m. This has increased by £35m from the previous year due mainly to increases in the market value of investments.
25. Officers have recently received updated reports from the Council's actuary on the effects of two national issues for Pension Funds, being the Guaranteed Minimum Pension (GMP) and McCloud cases. Liabilities from the reports are approximately £1.9m for each case, for which the Authority considers these immaterial to be included within the accounts either in the figures or as a disclosure note in the accounts.
26. The Audit Completion Reports contain matters raised by the auditor, their findings, the Value for Money conclusion, the draft management letter and the draft auditors report. Any further update on the status of the audit work will be given verbally at the meeting.

Legal Implications

27. There are no direct legal implications arising from this report.

Financial Implications

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

Risk Management Implications

29. There are no risk implications.

Equalities Implications / Public Sector Equality Duty

30. There are no equalities implications / public sector equality duty implications.

Council Priorities

31. 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

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| Name: Dawn Calvert | <input checked="" type="checkbox"/> | Chief Financial Officer |
| Date: 25 th June 2019 | | |
| Name: David Hodge | <input checked="" type="checkbox"/> | on behalf of the* Monitoring Officer |
| Date: 25 th June 2019 | | |

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|---------------------------------|-------------------------------------|--------------------|
| Name: Charlie Stewart | <input checked="" type="checkbox"/> | Corporate Director |
| Date: 2 nd July 2019 | | |

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| Ward Councillors notified: | NO |
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Section 4 - Contact Details and Background Papers

Contact: Paul Gower, Interim Technical Accounting Manager (Tel: 020 8424 1335 – internal ext 2335)

Background Papers: None