

Audit and Standards Committee

24 July 2019

Statement of Accounts 2018/19

Recommendation

The Committee is asked to consider the 2018/19 Statement of Accounts and recommend them to Council for approval.

1. Key Issues

- 1.1. This report presents the Statement of Accounts for 2018/19.
- 1.2. The Statement of Accounts for Warwickshire County Council comprises of:
 - The statement of responsibilities for the accounts
 - A narrative statement by the Strategic Director of Resources
 - The core financial statements, comprising:
 - The movement in reserves statement
 - The comprehensive income and expenditure statement
 - The balance sheet as at 31 March 2019
 - The cash flow statement
 - The statement of accounting policies
 - The notes to the core financial statements
 - The Firefighters' Pension Fund statement
- 1.3. Recommendations to Council for approval of the Annual Governance Statement and the accounts of Warwickshire Pension Fund, which will form part of the County Council's 2018/19 Statement of Accounts when they are published, are sought within separate reports on today's agenda.
- 1.4. Elected members are not expected to be financial experts, but they are responsible for approving and issuing the Council's financial statements. In doing this they are playing a key role in ensuring accountability and value for money are demonstrated to the public. However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International

Financial Reporting Standards and also the accounting and financing regulations of central government.

- 1.5. This covering report explains the key features of the primary statements and notes that make up the 2018/19 Statement of Accounts. The narrative statement provides further information on the key issues for the benefit of readers of the statements.
- 1.6. The Committee is asked to consider the 2018/19 Statement of Accounts attached at **Appendix A** and recommend them to Council for approval, highlighting any issues that they wish to bring to Council's attention. Following their approval by Council the Statement of Accounts will be published, in accordance with regulations, by the end of July.
- 1.7. The 2018/19 Statement of Accounts (Appendix A) will be circulated separately once we have received confirmation from the External Auditors that they are happy with the accounts.

2. Narrative Statement

- 2.1. The purpose of the narrative statement is to provide commentary on the financial statements. It includes an explanation of key events and their effect on the financial statements. The information in the narrative statement is consistent with budget information provided during the year and reconciles to the year-end financial position reported to Cabinet on 11 June 2019.

3. Core Financial Statements

3.1. Movement in reserves statement

Reserves represent the Council's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable. The level of usable reserves, the Council's spending plans and other sources of funding determine how much council tax needs to be raised. Unusable reserves derive from technical accounting adjustments and cannot be used to support spending. The movement in reserves statement analyses the changes in each of the authority's reserves between 2017/18 and 2018/19.

3.2. Comprehensive income and expenditure statement

The comprehensive income and expenditure statement reports on how the authority performed during the year and whether its operations resulted in a

surplus or deficit. It is produced in a standard format and is made up of five broad sections:

- Cost of services: Presented in the management structure of the Council. It includes service specific income and expenditure.
- Other operating income and expenditure: Includes the surplus or deficit from the sale of property, plant and equipment.
- Financing and investment income and expenditure: Includes interest payable and receivable and trading account income and expenditure.
- Taxation and general grant income and expenditure: Includes revenue from council tax, business rates and government revenue and capital grants.
- Other comprehensive income and expenditure: Includes items which are not allowed to be accounted for elsewhere, such as increases in the value of land and buildings and changes in the actuarial assessment of pension assets/liabilities.

3.3. Balance Sheet

The balance sheet is a 'snapshot' of the authority's financial position at a point in time, showing what it owns and owes at 31 March 2019. It is divided into two halves that, as the name suggests, balance. These are assets less liabilities (the top half) and reserves (the bottom half).

3.4. Cash flow statement

The cash flow statement sets out our cash receipts and payments during the year, analysing them into operating, investing and financing activities. Cash-flows are related to income and expenditure but are not equivalent to them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the comprehensive income and expenditure statement when the transactions occurred, not when the cash was paid or received.

4. Accounting Policies and Notes to the Core Financial Statements

- 4.1. The accounting policies set out the accounting rules the authority has followed in compiling the financial statements. They are largely specified by International Financial Reporting Standards and the Local Authority Accounting Code of Practice. We have limited discretion to amend them.
- 4.2. The Notes to the accounts provide further detail for the figures within the core statements as well as other information we are required to include in the Statement of Accounts.

- 4.3. There is one significant accounting policy change this year, resulting from a change in the relevant Standard. This relates primarily to the classification and treatment of movements in the value of financial assets. The change and its impact are explained in the Accounting Policies and relevant Notes. Briefly, we are now required to take changes in the values of some of our financial investments to the General Fund in year. In this year of transition, we are also required to transfer the existing balance reflecting historic changes from unusable reserves to the General Fund. However, in recognition that the General Fund could also be charged in future year if investment values drop, we have taken the amount (£2.2m) to an earmarked reserve, to be held against this potential event. We have also taken options to classify some of our other assets in such ways that their historic and future changes continue to be taken to an unusable reserve to protect the General Fund. Finally, the same changed Standard has required us to revalue some of our loans. This has provided us with a windfall gain of £0.9m, which we have taken to the same earmarked reserve as described above.

5. Firefighters' Pension Fund Statement

- 5.1. It is unusual for an unfunded pension scheme (such as the firefighters' scheme) to have a fund as it holds no assets that need to be ringfenced. We collect in the Fund contributions receivable from Warwickshire County Council (as the employer) and firefighters' (employee) contributions and pay out any benefits due. The Fund is then balanced to nil at the end of each financial year by either paying over or receiving pension fund top-up grant from the government.

6. Audit Status

- 6.1. The attached 2018/19 Statement of Accounts has been audited and the Audit Findings Report from the external auditors, Grant Thornton is elsewhere on today's agenda.
- 6.2. The audit opinion is also included in that auditor's report and will be signed by Grant Thornton's Engagement Partner on receipt of our letter of representation signed by the Strategic Director of Resources following approval of the accounts at Council on 25 July 2019. A letter of representation is provided in connection with the audit of the 2018/19 financial statements for the purpose of expressing our opinion to the best of our knowledge and belief, having

made appropriate enquiries, that the financial statements give a true and fair view.

- 6.3. The approved accounts will be published alongside the authority's Annual Governance Statement and the Accounts of Warwickshire Pension Fund (elsewhere on the Agenda) together with the signed audit opinions by 31 July 2019 in line with statutory regulations.

7. Financial Implications

- 7.1. None

8. Background Papers

- 8.1. None.

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