

MUNICIPAL YEAR 2019/20 – REPORT NO. 34

MEETING TITLE AND DATE:

Audit & Risk Management
Committee: 19 June 2018

REPORT OF:

Acting Executive Director of Resources

Contact:

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AGENDA PART 1**ITEM : 4****Subject: 2018/19 Draft Statement of Accounts.****Cabinet Member Consulted:
Cllr Bedekova**

1. EXECUTIVE SUMMARY

- 1.1 This report presents the Draft (unaudited) Annual Statement of Accounts for the 2018/19 financial year for Members' information.

2. RECOMMENDATIONS

That the Committee Notes:-

- The 2018/19 Draft Statement of Accounts were completed by the statutory deadline of 31 May and authorised for issue by Fay Hammond, Acting Executive Director of Resources and published on the council website on 31 May.
- The mandatory external audit of the Statement of Accounts by our external auditors BDO began on 3 June and the final audited Statement of Accounts – which will include BDO's Report and Audit Opinion - will be presented to the Committee for approval on 25 July 2019.
- That, consistent with the Audit Committee Protocol on Conduct and Objection to the Draft Statement of Accounts, an additional meeting will take place on Thursday 4th July at which any queries or objections from Members will be discussed.
- The Pension Fund Accounts (entirely separate to the Council's Accounts) were completed by the 31 May Statutory Deadline. They were prepared using final fund valuations in all but two cases – for which best valuation estimates were used. The Audit began on 4 June and the Final (Audited) Pension Fund Accounts are subject to approval by the Pension Fund Board

3. THE PROCESS FOR APPROVING THE ANNUAL STATEMENT OF ACCOUNTS

- 3.1 The Accounts and Audit Regulations require local authorities to prepare their annual Statement of Accounts to 31 March for each year.
- 3.2 The Regulations require the Responsible Finance Officer to certify the Draft Statement of Accounts by 31 May. In Enfield the Responsible Finance Officer is the Acting Executive Director of Resources, Fay Hammond. Following their consideration of the External Auditor's Report, members are then required to approve the Final (Audited) Statement of Accounts so that these can be published by the 31 July Statutory Deadline.

- 3.3 The Draft Statement of Accounts as certified by the Acting Executive Director Resources is attached for members' information. The reporting of the Draft Accounts to members, whilst not mandatory, is considered good practice and gives members the opportunity to ask officers questions and, if need be, raise objections.
- 3.4 Whilst the Acting Executive Director Resources is responsible for the preparation of the Accounts, members' role is to demonstrate their ownership of the Financial Statements and their confidence in the Acting Executive Director of Resources via the processes through which she maintains the accounting records and prepares the statements.
- 3.5 Under Section 4.1 of the Audit Committee Protocol on Conduct and Objection to the Draft Statement of Accounts, any member wishing to raise a query or objection to the Draft Accounts should do so in writing and serve it to the Section 151 Officer five working days before the meeting on 4 July (i.e. by cop 27 June)

4. THE STATEMENT OF ACCOUNTS 2018/19

- 4.1 The Accounts and Audit Regulations stipulate what is to be included in the Statement of Accounts. In order to achieve this on a consistent basis across all local authorities, the Chartered Institute of Public Finance and Accountancy (CIPFA) produces a Code of Practice that defines proper accounting practices for local authorities. The Code, which has legal force, is based on International Financial Reporting Standards (IFRS).
- 4.2 The accounts are subject to public inspection from the 3 June to the 12 July. During this period, members of the public may inspect the Draft Accounts and all related documents and take copies of these accordingly. They can also ask the Auditor questions and object to the Council's accounts asking the Auditor to issue a report in the public interest (under Section 27 of the Local Audit & Accountability Act 2014) and/or apply to the court for a declaration that an item in the accounts is contrary to law (under Section 28 of the Local Audit & Accountability Act 2014).
- 4.3 The Statement of Accounts need to be re-certified by the Acting Executive Director of Resources after they have been reviewed by the external auditor and re-presented to the Audit Committee on 25 July for their approval along with the external auditor's report. After approval, the Statement of Accounts must be published by the 31 July Statutory Deadline, along with the Auditor's opinion.
- 4.4 The basis, content and format of the Council's Statement of Accounts are prescribed by CIPFA in their Code of Practice, which is based on International Financial Reporting Standards. Whilst every attempt is made to convey them as clearly as possible, the accounts are, by their very nature, esoteric and highly technical. Therefore the use of technical terminology and the presence of complex tables and accounts is unavoidable.
- 4.5 The Council is also required to prepare Group Accounts which consolidate the financial statements of the Council with those of its subsidiary companies, Housing Gateway Ltd (HGL), Energetik, Enfield Innovations Ltd and Independence and Wellbeing Enfield Ltd. The group accounts have been completed and published slightly later than the single entity accounts, on 11 June.

5. SIGNIFICANT MATTERS IN THE 2018/19 DRAFT STATEMENT OF ACCOUNTS

5.1 Members are directed to the Narrative Report at the beginning of the Statement of Accounts. This describes the various financial statements included in the Statement of Accounts and provides an overview of the key financial issues reflected in the accounts. A detailed Outturn Report for the Council based on the Council's (internal) Management Accounts will be reported to Cabinet on the 25 July. This will include a detailed review of outturn against budget and commentary on service implications.

5.2 The key issues reflected in the Statement of Accounts are:-

- A deficit on the Provision of Services of £31.2m. This is a measure of the economic cost of providing services in 2018/19 based on the accounting conventions prescribed by CIPFA in their Code of Practice. The reason for the increase in the deficit compared to the 2017/18 deficit of £7m is mainly due to the statutory transfer of maintained schools to Academies with no compensation.
- With regards to revenue expenditure funded by taxation, the Council reported a balanced General Fund Outturn in 2018/19, with net revenue expenditure matching revenue income after the drawdown from earmarked reserves of £3.2m.
- Capital Expenditure in 2018/19 was £188.7m. The principal elements of capital expenditure were improving, maintaining and regenerating council housing stock through the Housing Revenue Account (HRA); continuing investment in the Council's flagship regeneration scheme Meridian Water; and further investment in school buildings to help meet increasing demand.
- The Pension Fund Deficit reduced from £555.1m as at 31 March 2018 to £546.3m as at 31 March 2019. This favourable movement of £8.8m is predominantly due actuarial re-measurement of the Net Defined Pension Liability.
- There was no movement in General Fund Balances – which remain at £14m (excluding School Balances). Housing Revenue Account Balances fell by £2.4m from £7.0m to £4.6m

- Movement in Earmarked Reserves is shown below:

	31st March 2018 £m	Net Transfers £m	31st March 2019 £m
General Fund			
Earmarked Reserves	64.2	10.6	74.8
Ring-Fenced Grants & Contributions *	1.1	2.4	3.5
Total General Fund Earmarked Reserves	65.4	13.0	78.4
HRA Earmarked Reserves	13.6	(1.4)	12.2
Total Earmarked Reserves	79.0	11.6	90.6

*Includes Dedicated Schools Grant, Public Health Grant & Section 106 contributions

6. ALTERNATIVE OPTIONS CONSIDERED

Under the Accounts and Audit Regulations, Member approval to the Statement of Accounts is not required until after the Statement has been reviewed by the external auditor. However, earlier consideration and review by members is consistent with good corporate governance practice.

7. REASONS FOR RECOMMENDATIONS

The presentation of the Draft Accounts to Members, whilst not mandatory, is considered good practice and gives Members time to consider the accounts and raise any queries and objections

8. COMMENTS OF THE ACTING EXECUTIVE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

8.1 Financial Implications

Financial implications are implicit in the body of the report.

8.2 Legal Implications

The Council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to taxpayers with regards to its use of and accounting for public monies. This report assists in the discharge of those duties.

8.3 Property Implications

Not applicable in this report.

9. KEY RISKS

The Statement of Accounts must be prepared and approved in accordance with statutory regulations.

10. IMPACT ON COUNCIL PRIORITIES

10.1 Not directly applicable in this report

11. EQUALITIES IMPACT IMPLICATIONS

Not directly applicable in this report

12. PERFORMANCE MANAGEMENT IMPLICATIONS

The report provides evidence of sound financial management, planning and efficient use of resources.

13. PUBLIC HEALTH IMPLICATIONS

There are no public health implications directly related to this Report.