

APPROVAL OF THE STATEMENT OF ACCOUNTS 2017/18

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Wards affected: All

Proposed Decision

It is recommended that Members of the Audit Committee:

- (i) note the now signed Annual Governance Statement for 2017-18 which was approved by this committee on 31 May 2018 is incorporated within the Statement of Accounts;
- (ii) review the Statement of Accounts 2017/2018 and raise any issues which will provide them with the assurance that they need to approve the Statements on behalf of the Council;
- (iii) subject to consideration of the External Auditor's Audit Findings report, approve the letter of representation as attached at Appendix B in the capacity of those charged with Governance;
- (iv) subject to (ii) above, approve the Statement of Accounts for 2017/2018; and
- (v) authorise the Head of Finance & Commercial, following consultation with the Chair, to make any final amendments to the Accounts arising from outstanding audit work prior to the signing of the accounts by the auditor.

Corporate Implications

The Accounts and Audit (England) Regulations 2015 require "larger relevant bodies", (of which Wycombe District Council is classed), to produce a statement of accounts for each year. These accounts must be approved by a committee Members no later than 31 July.

Background

1. The publication of the Statement of Accounts set out the Council's financial performance for the year. 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.
2. The Accounts and Audit Regulations 2015, require authorities to prepare Statement of Accounts in accordance with proper practices. This year the accounts were prepared one month earlier to comply with the legislation. The draft Statement of Accounts is required to be prepared by 31 May and signed and dated by the responsible financial officer (Head of Finance and Commercial) Section 151 officer for audit.
3. Following the public inspection period and audit of the accounts, the Regulations require the audited Statement of Accounts to be submitted to a committee for approval. The approved Statement of Accounts must be published by 31 July after the end of the financial year to which they relate.

4. In accordance with International Standard on Auditing (ISA) 260, the external auditor (Ernest & Young LLP) prepares detailed reports on matters arising from the audit of the Statement of Accounts. This report is a separate item on the Agenda.
5. The Statement of Accounts are set out at Appendix A and has been produced in accordance with relevant statutory legislation and accounting best practice. The main section of the accounts are briefly summarised below.

Changes to Accounting Policies

6. For 2017/18, the Council took the opportunity to review its financial statements for decluttering and Group Accounts to ensure the Statement of Accounts are clear and concise for the user. As part of this exercise, the accounting policies for the following two areas were amended in consensus with the Auditors:
 - a. **Group Accounts:** The Council had been preparing Group Accounts for its interest in Higginson Park Charity. The CIPFA Code of Practice requires Local Authorities to follow the requirements of IFRS 10 Consolidated Financial Statements. Although the Council is the sole trustee of the charity and has overall control, it does not meet all the requirements for Group Accounts as it does not have rights to any returns from the charity. Therefore, the Council has not prepared group accounts, however a disclosure note 31 summarises the financial activities of the Charity.
 - b. **Overheads and Support Services:** The corporate and support services (Finance, Legal & Democratic services, HR, ICT & Shared services), are managed separately each having a separate Cabinet Portfolio Holder and Head of Service who are accountable for providing the service and its financial performance. To ensure compliance with the code and to present a meaningful Comprehensive Income and Expenditure Statement or the user of the accounts, the accounting policy for Overheads and Support Services has been amended. This will mean that the cost of these services will not be apportioned to the front line services and are reported as a separate service segment on the Income and Expenditure Statement.

Significant Movements between years

7. **Comprehensive Income and Expenditure Statement:** Financial year 2017/18 shows a net credit of £31.6m compared to a debit of £1.0m in 2016/17. The movement of £32.6m is detailed below:
 - a. **Net Cost of Service increased by £5.3m to £26.4m:** The main reasons for movements are:
 - i. £3.4 m increase in capital grants or funding provided to third parties. This includes Disabled Facilities Grant of £1m, Bucks Housing association for purchase of property of £1m in return for nomination rights and contribution to County Council of £1.4m in respect of High Wycombe Town Centre Master Plan.
 - ii. Further £2.4m is due to change in accounting treatment of CIL income.
 - iii. The increase in expenditure is, in part, offset by additional income of £0.528m from the Sports Centre contract.

- b. Other Operating Income and Expenditure – Increase in net income of £3.2m resulting mainly from capital receipts, £1.8m Red Kite preserved Right To Buy, £0.6m net receipt from Costco and £0.8m finance lease of investment property.
 - c. Financing & Investment Income & Expenditure – Decline in net income of £1.6m to £7.6m resulting mainly due to changes in fair value of investment properties.
 - d. Taxation & Non-Specific Grant Income – Increase in net income of £5.5m resulting from :
 - i. Change accounting of CIL income of £4.4m.
 - ii. Increase in capital Grants and contributions of £1m.
 - iii. Decline in New Homes Bonus £1.3m and Revenue Support Grant £0.9m.
 - iv. Collection Fund accounting entries totalling to £2.2m.
 - e. Surplus on Revaluation of non-current assets – movement of £12.8m mainly due to increase in fair value of Swan by £8.6m and recognition of assets not previously on balance sheet of £3.3m.
 - f. Actuarial Gains on Pensions Assets – net movement of £17.5m resulting mainly decline in return on fund assets of £13m offset by decrease in actuarial losses of £30.5m arising from changes in financial and demographic assumptions by the scheme actuary. Further information is provided in note 28b to the accounts.
- 8. Balance Sheet:** The overall net worth has increased by £31.6m as detailed below:
- a. Long Term Assets increased by £25m resulting from capital expenditure of £6.6m, changes in fair value of assets totalling to £14m, investment of £7m in longer term deposits to earn better returns and decrease in long term debtor of £2.6m.
 - b. Current Assets increased by £2.3m resulting from increase of £3m Red Kite debtor transferred from long term debtors to short term, payment in advance of £2.4m to BCC pension fund, Treasury Management investment in longer term deposits of £7m.
 - c. Non-current Liabilities - £4.4m reduction on pension liability, mainly due to changes in financial and demographic assumptions.
 - d. Usable Reserves – The net movement of £4.4m is represented by favourable outturn variance of £0.1m to general fund reserve, £3.4m movement on Earmarked reserve, £2.4m on capital grants unapplied and decrease in Capital receipt reserve of £1.5m. Further details are provided in notes 18a to 18e.
 - e. Unusable reserves – Net movement of £27m is mainly due to changes in fair value of the assets, consumption of long term assets, financing the acquisition, construction or enhancements of assets and changes in pension liability. Further details are provided in notes 19a to 19e.

9. **Cash Flow** : The net movement of £10m is mainly from investing activities which includes the purchase /sale of assets and movements on long term and temporary investments.

Uncorrected Misstatement

10. As part of the IAS19 exercise the assets are valued by the actuary as at November 2017 which is different to the actual fund value of the Bucks Pension Fund as at 31 March 2018. The difference is £26.6m and represents less than 1% of the net investment (£12,813m) of the fund. The Council's estimated share of this timing difference is £1.328m which is less than 1% in the context of the total asset value of £151m. This does not have any material impact on the Statement of Accounts or the Audit opinion. It has been agreed with the auditor that the statement of accounts will not be adjusted for this and will be incorporated in the management representation letter.

Background Papers

Accounts and Audit regulations 2015

CIPFA Code of Practice on Local Authority Accounting 2017-18

International Financial Reporting Standards