

Title of meeting: Governance and Audit and Standards Committee

Date of meeting: Governance and Audit and Standards Committee 26 July 2019

Subject: Statement of Accounts 2018-19

Report by: Director of Finance and Information Services (Section 151 Officer)

Wards affected: All

Key decision: No

Full Council decision: No

1. Purpose of report

To consider the Statement of Accounts for 2018/19.

2. Recommendations

- a) That the Statement of Accounts be approved
- b) That authority be delegated to the Chair of the Governance and Audit and Standards Committee to sign an amended 2018/19 Statement of Accounts after 26 July should this be required following comments by the auditor

3. Background

Under the Accounts and Audit Regulations 2015 the Director of Finance and Information Services was required to sign and date the statement of accounts, and confirm that he was satisfied that the accounts presented a true and fair view of the financial position of the authority at 31 March and of the authority's income and expenditure for 2018/19, by 31 May 2019.

From 3 June 2019 to 12 July 2019 any person was able to inspect the accounts of the Council for the year ended 31 March 2019 and certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts and other documents relating to those records). From 3 June 2019 to 12 July 2019, a local government elector for the area of the Council, or his/her representative, could object to the Council's accounts asking that the auditor issue a report in the public interest (under schedule 7 of the Local Audit and 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 and Accountability Act 2014). These rights were not exercised in respect of the Council's draft Statement of Accounts for 2018/19.

After considering comments from the auditors, and making adjustments that he felt were appropriate, the Director of Finance and Information Services (Section 151 Officer) has re-confirmed that he is satisfied that the statement of accounts presents a true and fair view of the financial position of the authority at 31 March and of the authority's income and expenditure for 2018/19. A list of non-trivial adjustments made by the Director of Finance and Resources (Section 151 Officer) is contained in the Appendix.

The Statement of Accounts 2018/19 includes an overview of the City Council's performance on pages 14 to 24 and a commentary on the financial statements on pages 24 to 38.

4. Reasons for Recommendations

The Accounts and Audit Regulations 2015 now require members of the Council to:

- a) consider the statement of accounts;
- b) approve the statement of accounts by a resolution
- c) ensure that the statement of accounts is signed and dated by the person presiding at the committee at which that approval is given

Portsmouth City Council discharges these responsibilities through its Governance and Audit and Standards Committee.

The Governance and Audit and Standards Committee now have two options:

- 1) Approve the statement of accounts
- 2) To identify areas of concern and not approve the accounts

In considering the statement of accounts the Committee should take into account any comments made by the auditor.

Under the Accounts and Audit Regulations 2015 the Council must publish its accounts together with any certificate or opinion entered by the auditor by 31 July.

The audit of the Statement of Accounts is ongoing. Therefore it is recommended that authority be delegated to the Chair of the Governance and Audit and Standards Committee to sign an amended 2018/19 Statement of Accounts after 26 July should this be required following comments by the auditor

5. Equality Impact Assessment

The contents of this report do not have any relevant equalities impact and therefore an equalities impact assessment is not required.

6. Legal implications

The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2015 to ensure that the Council's budgeting, financial management, and accounting practices meet the relevant statutory and professional requirements. Members must have regard to and be aware of the wider duties placed on the Council by various statutes governing the conduct of its financial affairs.

If the statement of accounts is not approved by the Committee by 31 July the Council will be in breach of the Accounts and Audit Regulations 2015. Failure to approve and publish the accounts within the timeframe set out in the Accounts and Audit Regulations 2015 would represent a potential risk to the reputation of the Council.

7. Director of Finance & Information Services (Section 151 Officer) comments

All financial considerations are contained within the body of the report and the attached appendices

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Signed by Director of Finance & Information Technology (Section 151 Officer)

Appendix: List of non-trivial amendments made by the Director of Finance and Information Technology (Section 151 Officer)

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<u>Title of document</u>	Location
1 Accounts and Audit Regulations 2015	Legislation.gov.uk website
2 Information pertaining to the audit in the possession of the Council	Financial Services

Non-Trivial Adjustments Made to the Accounts Since Publication on 31 May

McCloud Ruling

This is a national issue concerning age discrimination and pension protection of judges and firefighters, but has now widened across public sector pension funds. Following this ruling the pension fund's actuary was commissioned to recalculate the Council's pension liability. As a result of this recalculation, the Council's estimated pension liability has increased by £12.8m. Although this has affected the Council's net worth and is reflected in the Comprehensive Income and Expenditure Statement, this additional cost is reversed out of the revenue account in the Movement in Reserves Statement under regulations so that does not impact on General Balances in 2018/19. The City Council's contributions to the pension fund are based on a full triennial valuation by the fund's actuaries and this additional cost will be reflected in the next triennial valuation.

Increase in Value of Property, Plant and Equipment (PPE) Following Capital Expenditure

PPE is revalued following capital expenditure. There were five assets whose value increased by £6.6m following capital works, but this was not reflected in the Draft Statement of Accounts. Although this has increased the Council's net worth and is reflected as income in the Comprehensive Income and Expenditure Statement, this additional cost is reversed out of the revenue account in the Movement in Reserves Statement under regulations so that does not impact on General Balances.

Financial Instruments (Note 17d)

The fair value hierarchy tables were not updated and have been restated. All financial assets and financial liabilities that are not measured at fair value in the balance sheet have still had their fair value disclosed on the basis of other significant observable inputs (level 2), as opposed to quoted prices in active markets for identifiable assets (level 1) which don't exist, or significant unobservable inputs (level 3).

Short Term Debtors (Note 20)

Department of Work and Pensions grants of £4,884,000 owed to the Council were included in trade debtors in the disclosure note rather than government departments where they should have been included.

Leases (Note 37)

The 2017/18 Statement of Accounts included minimum operating lease payments of £83,296,000 in respect of the lease of the Wightlink Terminal. In January 2018 it was agreed that this lease was in substance a loan, but this lease was not removed from the disclosure note. These figures from the 2017/18 accounts form the prior year comparator figures included in the 2018/19 disclosure note. The prior year comparator figures have therefore been restated. The figures relating to 31 March 2019 are unaffected.

Private Financing Initiatives (PFI) and Similar Contracts (Note 38)

A PFI asset was omitted from the disclosure note covering the value of PFI assets. This meant that both the gross book value of £172,091,000 and the net book value of £134,309 were both understated by £3,230,000.

Collection Fund

There was a spreadsheet error affecting the disclosure concerning the apportionment of the Collection Fund surplus which has been incorrectly stated as Government (DCLG) £844,000 and Portsmouth City Council £827,000. The apportionment in the ledger was correct. The correct figures are a deficit for Government (DCLG) of £632,000 and a surplus for Portsmouth City Council of £2,302,000, ie. the surplus apportioned to the Government (DCLG) was overstated by £1,476,000 and the surplus apportioned to Portsmouth City Council was under stated by £1,476,000.