

<b>Report of:</b>	Strategic Director of Finance Governance and Support
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<b>Submitted to:</b>	Corporate Affairs and Audit Committee 6 June 2019
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<b>Subject:</b>	Draft Statement of Accounts 2018/2019
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**Summary**

<b>Proposed decision(s)</b>
That the Corporate Affairs and Audit Committee note the draft accounts published by the Strategic Director of Finance Governance and Support on the 31 May 2019, representing a true and fair view of the Council’s financial position as at the 31 March 2019. That Members agree to any further training that may be needed to fulfil their statutory role before the 31 July 2019.

<b>Report for:</b>	<b>Key decision:</b>	<b>Confidential:</b>	<b>Is the report urgent?<sup>1</sup></b>
Information	No	No	No

<b>Contribution to delivery of the 2018-22 Strategic Plan</b>		
<b>Business Imperatives</b>	<b>Physical Regeneration</b>	<b>Social Regeneration</b>
The preparation and publication of the Council’s Statement of Accounts is key to the good governance of the Council and is a fundamental business imperative.	N/A	N/A

<b>Ward(s) affected</b>
N/A

## **What is the purpose of this report?**

1. For Members of the Corporate Affairs and Audit Committee to note and review the draft Statement of Accounts for 2018/2019 and Members agree to any further training that may be needed to fulfil their statutory role before the 31 July 2019.

## **Why does this report require a Member decision?**

2. It is good practice and good governance for the Committee to review the draft accounts prior to approving the accounts by the final accounts at the end of July. Also it is important that Members with responsibility for agreeing the Council's Statement of Accounts have the appropriate training.

## **Report Background**

3. Like all large organisations Middlesbrough Council is required by law to publish and report on its financial position, performance and cash flows during the financial year which runs from the 1 April to the 31 March. It does this in its statement of accounts document.
4. The accounts produced by the Council have some similarities to those produced by private companies under companies act legislation, however local authorities have their own specific legislation under various local government acts and statutory instruments and prepared in accordance with the Chartered Institute of Public Finance and Accountancy/ CIPFA (England, Northern Ireland and Wales) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting (the Code).
5. The Statement of Accounts full document is highly technical and complex and its content is mandatory (Appendix A). The statement of accounts is however broken down into a number of distinct parts.
6. First there is the Narrative Report of the Strategic Director of Finance Governance and Support (the Chief Finance Officer) of the Council. This report gives an explanation of the financial position and describes the key activities of the council during the financial year that make up the Council's financial statements.
7. The second section is the Annual Governance Statement which sets out how the Council has complied with best practice governance arrangements and any key issues that arise from that.
8. The third section includes the Council's financial statements. These are the core statements within the accounts and include the movement in reserves statement, the income and expenditure statement the balance sheet and cash flow statements for 2018/2019.
9. The fourth section are the notes to the accounts and include detailed narrative and figures that support the core statements.

10. The statement of accounts also include the Collection Fund, covering Council tax and Business Rates activities and the accounts of the Teesside Pension Fund for which Middlesbrough Council is the administering authority.

### **Timetable for the statement of Accounts**

11. The accounts are published in two stages under regulation. Firstly the draft accounts are published and signed by the Strategic Director of Finance Governance and Support by the 31 May. The accounts are then open for public inspection for a period between 3 June and 12 July 2019. The accounts are also during this time and up until the 31 July audited by the Council's external independent auditors who are Ernst and Young. It is the auditor's role to review the financial statements and to certify that the accounts are a true and fair view of the financial position of the Council. Given the Council's use of public money, an additional responsibility of the auditor is to provide a view on whether the council has secured arrangements for achieving value for money in all across all of the Council's activities. If the Auditor is happy with the statements and the value for money arrangements it will issue a 'clean' unqualified certificate for each of the measures. If it not satisfied then it can 'qualify' either the financial statements themselves or the arrangements for value for money or both, which is an undesirable outcome for the Council.

<b>Action</b>	<b>Timeframe</b>
Publish the draft Accounts signed by the Chief Finance Officer.	By the 31 May 2019
Public Inspection Period	From 3 June to 12 July 2019
External Audit Period	1 June to 31 July 2019
Publish Audited Accounts Approved by the Corporate Affairs and Audit Committee.	By 31 July 2019

### **Summary Statement of Accounts**

12. The Council has for the first time produced a summary set of accounts. This is not a statutory requirement but their purpose is to provide a more easily understandable form which a wider user of the accounts, including the public may find easier to use. (Appendix B)

### **What decision(s) are being asked for?**

13. The Corporate Affairs and Audit Committee are asked to note the Draft Statement Accounts published by the Strategic Director of Finance Governance and Support on the 31 May 2019, representing a true and fair view of the Council's financial position as at the 31 March 2019. Also that Members agree to any further training that may be needed to fulfil their statutory role before the 31 July.

### **Why is this being recommended?**

14. It is good practice and good governance for the Committee to review the draft accounts prior to approving the accounts by the final accounts at the end of July.

### **Other potential decisions and why these have not been recommended**

15. n/a.

### **Impact(s) of recommended decision(s)**

16. n/a

### ***Legal***

17. The publications of the draft statement of accounts is a legal requirement.

### ***Financial***

18. The draft statement of accounts agree with the Quarter 4 Results Report which shows a £439,000 overspend and an equal use of uncommitted reserves to cover that. The uncommitted reserves are £11.9 million as at the 31 March 2019 and in in-line with Medium Term Financial Planning assumptions. The only significant change to the balance sheet related to the transfer of school building assets which arises from the conversion of 6 schools to academies, but totalling £60 million. This does not adversely affect the Council's financial position, given the accounting rules relating to academy transfers.

### ***Policy Framework***

19. The Statement of Accounts published in line with the Policy Framework.

### ***Equality and Diversity***

20. There are no protected groups who would be adversely affected by the publication of the Draft Statement of Accounts 2018/2019.

### ***Risk***

21. There are no specific risk issues relating to the draft statement of accounts for 2018/2019.

### **Actions to be taken to implement the decision(s)**

22. n/a.

### **Appendices**

23. Appendix A – Draft Statement of Accounts 2018/2019.  
Appendix B – Summary Statement of Accounts 2018/2019

## **Background papers**

24. No background papers were used in the preparation of this report.

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